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ABSTRACT

Rising college costs and the financial burdens facing students are discussed, as a part of hearings on the reauthorization of the Higher Education Act. While funding for financial aid programs has declined or remained even, tuition for private and public colleges has increased between 28 and 30 percent. The ability of low- and middle-income families to pay the cost of a college education is at issue. Data are presented on: college costs; students' responses to increased costs; college enrollments by attendance status, student sex, and type of institution for 1973-1982; enrollments by family income level for 1972 and 1980; and enrollments by type of degree pursued and by student age, 1982. Additional topics include: the current situation for students wishing to attend private institutions and federal outlays for all kinds of student financial assistance. The lowest income student has been most affected by patterns of funding, inflation, and policy changes. High ability students are receiving aid from state, institutional, and private sources. Changes in assistance programs have a great effect on black students, who have significantly lower income as a group. Testimony on the impact of federal student aid programs on private historically black colleges is included. (SW)

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HEARING ON COLLEGE COSTS AND FEDERAL ASSISTANCE

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HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., ON OCTOBER 19, 1983

Printed for the use of the Committee on Education and Labor

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HEARING ON COLLEGE COSTS AND FEDERAL ASSISTANCE

WEDNESDAY, OCTOBER 19, 1983

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in room 2257, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Simon, Harrison, Owens, Penny, Gunderson, Petri, and Packard.

Staff present: William A. Blakey, staff director; Maryln McAdam, legislative assistant; and Betsy Brand, Republican legislative associate.

Mr. SIMON. The subcommittee will come to order. The subcommittee begins a series of hearings today in preparation for the reauthorization of the Higher Education Act. Over the next several weeks we will be receiving testimony on various studies and investigations that have been conducted in the area of Federal student financial assistance and student participation in Federal aid programs.

The information during these hearings will be used to guide the subcommittee in recommending needed changes during the reauthorization process.

This morning's hearings will focus on rising college costs and how students are meeting the financial burdens created by those rising costs. Although the 1980 reauthorization of the Higher Education Act allowed for major spending increases in student aid programs, that expansion was never realized.

Beginning with the Omnibus Budget Reconciliation Act of 1981 and continuing through the fiscal year 1984 appropriation process, funding for financial aid programs has declined or remained even. During that same period of time, tuition for private institutions increased approximately 28 percent, and tuition for public colleges and universities rose an average of 30 percent.

Higher education has been faced with rising costs, increasing numbers of student aid applicants, and constant or decreasing Federal dollars.

As we undertake reauthorization of the Higher Education Act, it is essential that we have a clear understanding of the impact of these increasing costs. An obvious gap is developing between the ability of low- and middle-income families to pay the cost of a col-

lege education. This gap, once met with Federal student aid dollars, appears to be widening beyond the ability of the Federal Government to respond, except through substantially increased parental and student borrowing.

I might add that the other impact that has received little attention is the increasing economic segregation of higher education in the United States. If I may be personal, my daughter is going to Georgetown University Law School. Tuition is $8,200 a year, and that does not count room and board. How can a family of limited means take care of that? How can a family of limited means do it?

So we are ending up with one area of higher education that increasingly is limited to upper income people and another that is available to everyone.

In looking forward, Federal policymakers are faced with a clear choice. Do we move forward and meet the challenge of educating all Americans or do we continue to slip gradually backwards? The answer is clear: We must move forward.

So I hope that the testimony of our witnesses will provide guidance in more fully understanding the dilemma before us and in designing a solution.

[Opening statement of Chairman Simon follows:]

OPENING STATEMENT OF HON. PAUL SIMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS AND CHAIRMAN, SUBCOMMITTEE ON POSTSECONDARY EDUCATION

Good morning. Today, the Subcommittee begins a series of hearings in preparation for the reauthorization of the Higher Education Act. Over the next several weeks, we will be receiving testimony on various studies and investigations that have been conducted in the area of Federal student financial assistance and student participation in Federal aid programs. The information during these hearings will be used to guide the Subcommittee in recommending needed changes during the reauthorization process. This morning's hearings will focus on rising college costs and how students are meeting the financial burdens created by those rising costs.

Although the 1980 reauthorization of the Higher Education Act allowed for major spending increases in student aid programs, that expansion was never realized. Beginning with the Omnibus Budget Reconciliation of 1981 and continuing through the fiscal year 1983 appropriations process, funding for financial aid programs has declined or remained even. During that same period of time, tuitions for private institutions increased approximately 28 percent, while tuitions for public colleges and universities rose an average of 30 percent. Higher education has been faced with rising costs, increasing numbers of student aid applicants, and constant or decreasing Federal dollars.

As we undertake reauthorization of the Higher Education Act, it is essential that we have a clear understanding of the impact of these increasing costs. An obvious gap is developing between the ability of low and middle-income families to pay and the cost of a college education. This gap, once met with Federal student aid dollars, appears to be widening beyond the ability of the Federal government to respond, except through parental and student borrowing. In looking forward Federal policy makers are faced with a clear choice—do we move forward and meet the challenge of educating all Americans or do we continue to slip gradually backwards?

Just as the choice is clear, so is the answer—we must move forward!

It is our hope that the testimony of our witnesses will provide us guidance in more fully understanding the dilemma before us and in designing its solution.

The witnesses today are Marie Eldridge, Director of the National Center on Education Statistics, John Phillips, President of the National Association of Independent Colleges and Universities, Dr. John Lee, Director Division of Human Resources and Dr. Jacob Stampen of the University of Wisconsin.

We welcome all of you and look forward to your testimony.

Mr. SIMON. Our first witness today is Marie Eldridge, Director of the National Center on Education Statistics. We are pleased to have you with us here today.

STATEMENT OF MARIE D. ELDRIDGE, Sc.M., ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS

Mrs. ELDRIDGE. Thank you, Mr. Simon. I am also very pleased to have the opportunity to provide this subcommittee with a statistical overview of college costs, as we in the National Center for Education Statistics see it today based on the data that we have collected.

For data collection purposes, we have defined college costs as tuition——

Mr. SIMON. Excuse me. If I may just interrupt to say that your full statement will be entered into the record together the tables and other things.

[Prepared statement of Mrs. Eldridge follows:]

PREPARED STATEMENT OF MARIE D. ELDRIDGE, ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS

I am very pleased to have the opportunity to provide this subcommittee with a statistical overview of college costs as we see it today, the changes that have taken place during the last decade, along with data NCES has accumulated on how students appear to be reacting to these changes.

COLLEGE COSTS

We are all aware that college costs, defined as tuition, required fees, and board and room, have risen dramatically over the last decade or so. In actual dollars, the increase between 1973 and 1982 amounts to about 103 percent. On the other hand, when the overall costs of college for the full-time student are examined in terms of constant dollars, we find that these costs have remained essentially constant after adjustment for inflation. This is the case except for the last couple of years where increases in college costs exceeded the inflation rate by significant margins i.e., 9–10 percent per year as compared to the decreased inflation rate of 2.6 percent this past year (August 1982–August 1983) and 3.9 percent for calendar year 1982.

First, let's look at some key figures which describe this trend of rising costs of tuition, fees, and room and board, factors which form the major component of all college costs.

Average basic student charges, including tuition, fees, and room and board, for a full-time student at a public institution rose from $1,517 in academic year 1973–74 to an estimated $2,950 in 1982–83. This is an increase of 95 percent. The corresponding increase in private institutions was $3,164 in 1973–74 to an estimated $6,900 in 1982–83. The percentage increase in private institutions amounts to 118 percent. Yet within the framework of the over-all cost of living during the past 10 years (in August 1973 the Consumer Price Index stood at 135.1 (1967=100), but in August 1983 it had risen to 300.3) the increase in consumer prices of 122.3 percent is only slightly larger than those for basic student charges in public institutions.

One factor which has helped to contain college costs in recent years is the tendency for an increasing number of students to attend public two-year colleges. Overall the proportion of all college students attending two-year institutions has risen from 26 percent in 1970 to almost 40 percent in 1982. The fees at these institutions tend to be substantially less than those at universities and other four-year schools.

While prices have gone up since 1973 on some of the things that higher education institutions must buy: Construction costs—109 percent; Utilities—357 percent; Research and development costs—100 percent, the average faculty salary rose only 91 percent.

APPARENT STUDENT REACTION TO INCREASED COSTS

Students' ability to pay bears on their access to postsecondary education. As I previously indicated, the cost of college has kept pace with inflation in prices except for the last two years during which it continued to increase in spite of the dropping inflation rate. As a result, the ratio of student charges to median family income varied only slightly during most of the past decade. At public universities, these ratios declined by more than 2 percentage points, from 15 percent in 1970 to just under 13 percent in 1980. This, however, is a very simple picture since the median represents only the middle range.

Much published data on the effect of current demographics indicates that minority enrollment is a key to equality of educational opportunity. It is very clear that ability to pay varies for different groups. Median income for Hispanic families in 1980 was about 33 percent lower than that of Caucasian families and for black families was about 42 percent lower. Thus, if students' access to postsecondary education depended solely on their income, the access of minorities could be seriously limited.

Other phenomena that may reflect student response to increased costs are: the rise in part-time students (see Table 1 and Fig. 1); and the increase in 2-year college enrollments (see Tabie 2 and Fig. 2).

In addition, since 1981 students in the traditional college age cohorts (under 21) were no longer the majority on campuses (by 1990, the traditional college-age population is expected to decrease by 15 percent); some colleges are maintaining their enrollment levels by appealing to increased enrollments of older students, who are predominately part-time. This change may also result in students shifting to different types of schools or different academic and/or occupational programs.

Costs may also play a role in influencing whether students persist in school, as well as whether they enroll. Our data indicate that persistence in postsecondary education is strongly related to a student's socioeconomic status (SES). The lower the student's SES background the more likely the student was to withdraw: for 4-year colleges, 15 percent of low SES students vs. only 7 percent of high SES students. For 2-year colleges the corresponding rates are 31 and 20 percent. Clearly, youngsters from low SES backgrounds who entered college continued their college education less often than did their classmates from more advantaged backgrounds.

While costs have increased, student aid is contributing to an equalization of educational opportunity. Fifty six percent of the 1980 seniors attending college in 1980–81 received either a grant or a loan. Here we are considering grants and loans from all sources, Federal, non-Federal, and even loans from relatives. As shown in Table 4, this percentage varies considerably by family income of the student and institutional type.

Forty three percent received grants and thirty percent received loans while some students received both. We also need to observe that nearly half (44 percent) received neither a grant nor a loan.

Since the early 1970's students have also changed the way they combine work and school. We have already observed that more students are attending school part-time. This is true not only for older students, but also for those entering postsecondary institutions immediately after high school.

Comparing (see Table 6) college sophomores, students 16 months out of college who went on to college in 1973 and 1981, we see that both part-time and full-time students are reporting more hours of work. The biggest changes are for part-time students, where the percentage not working decreased from 29 percent to 22 percent. The percentage reporting full-time work or more increased from 44 percent (32 + 12) in 1973 to 55 percent (41 + 14) in 1981, an increase of a full 11 percentage points.

This completes my testimony. I will be glad to answer any questions on the data NCES has available.

ATTACHMENT 1

TABLE 1.—TOTAL ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, BY ATTENDANCE STATUS, SEX OF STUDENT, AND CONTROL OF INSTITUTION: UNITED STATES, FALL 1963 TO FALL 1982

Year	Total enrollment	Attendance status		Sex of student		Control of institution	
		Full-time	Part-time	Men	Women	Public	Private
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1963	4,765,867	(1)	(1)	2,955,217	1,810,650	3,065,848	1,700,019
1964	5,280,020	(1)	(1)	3,248,713	2,031,307	3,467,708	1,812,312
1965	5,920,864	(1)	(1)	3,630,020	2,290,844	3,969,596	1,951,268
1966	6,389,872	4,438,606	[2] 1,951,266	3,856,216	2,533,656	4,348,917	2,040,955
1967	6,911,748	4,793,128	[2] 2,118,620	4,132,800	2,778,948	4,816,028	2,095,720
1968	7,513,091	5,210,155	2,302,936	4,477,649	3,035,442	5,430,652	2,082,439
1969	8,004,660	5,498,883	2,505,777	4,746,201	3,258,459	5,896,868	2,107,792
1970	8,580,887	5,815,290	2,765,597	5,043,642	3,537,245	6,428,134	2,152,753
1971	8,948,644	6,077,232	2,871,412	5,207,004	3,741,640	6,804,309	2,144,335
1972	9,214,860	6,072,389	3,142,471	5,238,757	3,976,103	7,070,635	2,144,225

TABLE 1.—TOTAL ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, BY ATTENDANCE STATUS, SEX OF STUDENT, AND CONTROL OF INSTITUTION: UNITED STATES, FALL 1963 TO FALL 1982—Continued

Year	Total enrollment	Attendance status		Sex of student		Control of institution	
		Full-time	Part-time	Men	Women	Public	Private
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1973	9,602,123	6,189,493	3,412,630	5,371,052	4,231,071	7,419,516	2,182,607
1974	10,223,729	6,370,273	3,853,456	5,622,429	4,601,300	7,988,500	2,235,229
1975	11,184,859	6,841,334	4,343,525	6,148,997	5,035,862	8,834,508	2,350,351
1976	11,012,137	6,717,058	4,295,079	5,810,828	5,201,309	8,653,477	2,358,660
1977	11,285,787	6,792,925	4,492,862	5,789,016	5,496,771	8,846,993	2,438,794
1978	11,260,092	6,667,657	4,592,435	5,640,998	5,619,094	8,785,893	2,474,199
1979	11,569,899	6,794,039	4,775,860	5,682,877	5,887,022	9,036,822	2,533,077
1980	12,096,895	7,097,958	4,998,937	5,874,374	6,222,521	9,457,394	2,639,501
1981	12,371,672	7,181,250	5,190,422	5,975,056	6,396,616	9,647,032	2,724,640
1982	12,425,780	7,220,618	5,205,162	6,031,384	6,394,396	9,696,077	2,729,693

† Data not available.
‡ Includes part-time resident students and all extension students.
Source: U.S. Department of Education, National Center for Education Statistics. Fall Enrollment in Higher Education.

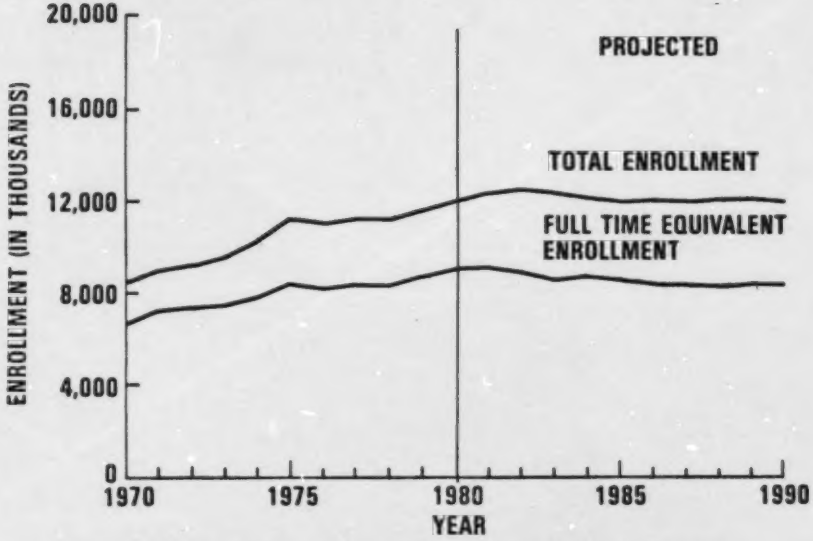
ATTACHMENT 2

TABLE 2.—ENROLLMENTS IN HIGHER EDUCATION IN 2-YEAR AND 4-YEAR INSTITUTIONS, 1970–82

[In thousands]

Year	Total enrollment	Four-year institutions	Two-year institutions	Percent 4 year of total
(1)	(2)	(3)	(4)	(5)
1970	8,581	6,358	2,225	74
1971	8,949	6,463	2,486	72
1972	9,215	6,459	2,756	70
1973	9,602	6,590	3,012	69
1974	10,224	6,820	3,404	67
1975	11,185	7,215	3,970	65
1976	11,012	7,129	3,883	65
1977	11,285	7,242	4,042	64
1978	11,259	7,232	4,028	64
1979	11,570	7,353	4,217	64
1980	12,097	7,571	4,526	63
1981	[1] 12,442	[1] 7,707	[1] 4,735	62
1982	[1] 12,620	[1] 7,789	[1] 4,831	62

[1] Projected.
Source: U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 1990–91.

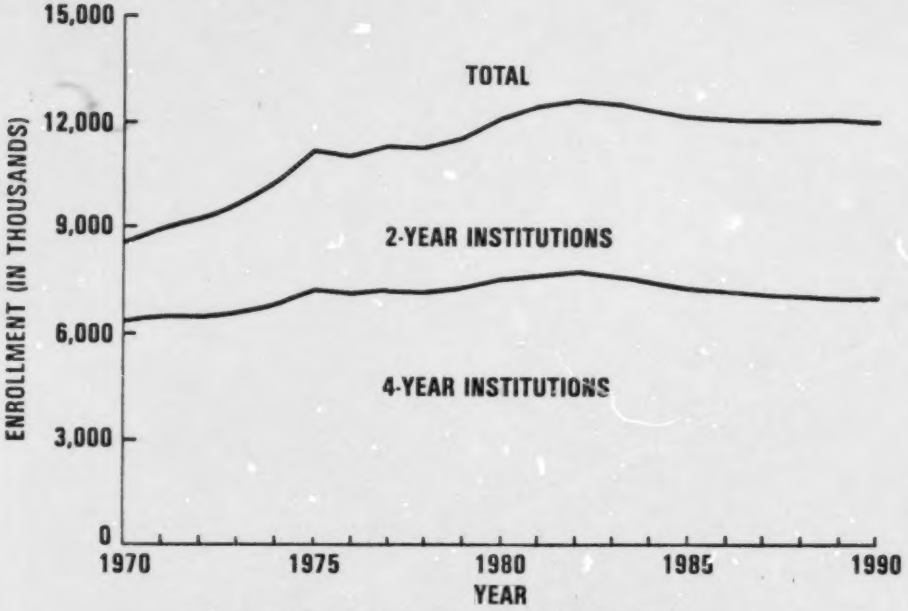


TOTAL AND FULL TIME EQUIVALENT ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, 50 STATES AND D.C., FALL 1970 TO 1990

SOURCE: *PROJECTIONS OF EDUCATION STATISTICS TO 1990-91*, NATIONAL CENTER FOR EDUCATION STATISTICS, MARCH 1982

ATTACHMENT 3

FIGURE 1



TOTAL ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, BY TYPES OF INSTITUTIONS: 50 STATES AND D.C., FALL 1970 TO 1990

SOURCE: *PROJECTIONS OF EDUCATION STATISTICS TO 1990-91*, NATIONAL CENTER FOR EDUCATION

ATTACHMENT 4

FIGURE 2

ATTACHMENT 5

TABLE 3.—PERCENTAGES [1] OF 2- AND 4-YEAR COLLEGE ENTRANTS WHO WITHDREW [2] BY SOCIOECONOMIC STATUS: FEBRUARY 1982

	4-year college	2-year college
Socioeconomic status:		
High	7	28
Middle	11	26
Low	15	31

[1] Percentages are based on those individuals who entered college before June 1981.
[2] Some of these students could possibly have completed short programs.

ATTACHMENT 6

TABLE 4.—*Percentages of 1980 graduates attending college in 1980–81 who received either a grant or loan by institutional type and family income level: academic year 1980–81*

Institutional type and family income level:	
Vocational schools:	
Low family income [1]	50
Middle family income [2]	47
High family income [3]	31
Public junior colleges:	
Low family income	55
Middle family income	39
High family income	25
Public 4-year colleges:	
Low family income	85
Middle family income	69
High family income	50
Private 4-year colleges:	
Low family income	89
Middle family income	82
High family income	64

[1] Low family income less than $12,000 a year.
[2] Middle family income between $12,000 and $19,999 a year.
[3] High family income is $20,000 or more.

ATTACHMENT 7

TABLE 5.—COMPARISON OF 1972 AND 1980 HIGH SCHOOL SENIORS IN SPECIFIED WORK STATUS CATEGORIES BY STUDENT STATUS: OCTOBER 1973 AND OCTOBER 1981

Hours worked weekly	Student status					
	Part-time student			Full-time student		
	1973	1981	Change	1973	1981	Change
Total	100	101	0	100	101	0
Not working	29	22	−7	48	45	−3
Part time (less than 34 hours)	27	24	−3	37	37	0
Full time (34 to 44 hours)	32	41	+9	11	12	+1
More than 44 hours	12	14	+2	4	7	+3

Mrs. ELDRIDGE. Yes, I am going to summarize the statement with your permission.

Mr. SIMON. Fine.

BEST Copy

Mrs. ELDRIDGE. For data collection purposes, we have defined college costs as tuition, required fees, room and board. These actual costs, as we all know, have risen dramatically over the last decade—103 percent, approximately, since 1973. Obviously, talking in constant dollars during an inflationary period does not provide an adequate assessment of the real costs.

When overall costs are adjusted for inflation, we find that these costs have remained essentially constant except for the last 2 years. During this period college costs exceeded the inflation rate by significant margins—9 to 10 percent on an average per year compared to the decreased inflation rate of 2.6 this past year and 3.9 for calendar year 1982.

I would like to draw your attention to some key figures which describe the trend of rising costs of tuition fees and room and board—factors which are the major component of all traditional college costs.

The average basic student charges at the public institutions rose from little more than $1,500 per annum, per academic year, in 1973-74 to almost $3,000 in 1982-83—roughly an increase of about 95 percent. The corresponding increase in private institutions was 118 percent, from little more than $3,000 in 1973-74, which was almost comparable to what public is currently, to almost $7,000 in 1982-83.

Yet within the framework of the overall cost of living during the past 10 years, the increase in Consumer Price Index was 122.3 percent. One factor which has helped to contain what we call the aggregate college costs in recent years is the tendency for an increasing number of students to attend public 2-year colleges where the fees tend, as we all know, to be substantially less. The proportion of all college students attending 2-year institutions has risen from 26 percent in 1970 to almost 40 percent in 1982.

Now, while prices have gone up since 1973 on some of the things that higher education institutions must buy—for example, construction costs, up roughly 109 percent; utilities, 357 percent; research and development, 100; the average faculty salary rose only about 91 percent.

When you ask how students are reacting to the high costs, I have already alluded to one possible reaction—the increased enrollment in the 2-year and community colleges. However, there is a more basic principle operating; namely, the students' ability to pay bears on their access to postsecondary education.

In light of the relation of college costs to inflation, it is not surprising to find that the ratio of student charges to median income varied only slightly during most of the past decade. This was expressed in somewhat more concrete terms recently at a parents' orientation when the president of a private college stated to the parents that "The annual bills were going to continue to be equivalent to a mid-size Buick."

At public universities the ratio of charges to median income declined by more than 2 percentage points, from 15 percent in 1970 to just under 13 percent in 1980. This, however, is a very simple picture since the median represents only the middle ranges and does not deal with the two ends of the distribution. It is very clear that ability to pay varies for different groups. Median income for His-

panic families in 1980 was about 33 percent lower than that of the Caucasian families and for black families it was about 42 percent lower. Thus, if student's access to postsecondary education depended solely on their family income the access of minorities could be very seriously limited.

Other phenomena that may reflect student response to increased costs are the dramatic rise in part-time students, the twofold increase in 2-year college entrance enrollments and the increased participation of older students.

Since 1981, students in the traditional college-age cohort, which we normally think of as being under 21, were no longer the majority on campuses. By 1990 the traditional college-age population is expected to decrease by 15 percent. Some colleges are maintaining their enrollment levels by appealing to increased enrollments of older students who are predominantly part time. This change may, of course, also result in students shifting to different types of schools or different academic or occupational programs.

Costs may also play a role in influencing whether students persist in school, much less whether they enroll. Our data indicate that persistence in postsecondary education is strongly related to the student's socioeconomic status. The lower the student's SES background, the more likely the student was to withdraw. Youngsters from low SES backgrounds who entered college continued their college education less often than did their classmates from more advantaged backgrounds.

While costs have increased, student aid is contributing to an equalization of educational opportunities. While 56 percent of the 1980 seniors attending college in 1980–81 received either a grant or a loan, almost 90 percent of students in 4-year colleges with less than $12,000 a year in family income received such assistance compared to 50 to 60 percent with income in excess of $20,000.

Since the early seventies, students have also changed the way they combine work and school. We have already observed that more students are attending school part time. This is true not only for older students, but also for those entering postsecondary institutions immediately after high school. Comparing college sophomores, students 16 months out of high school who went on to college in 1973 and 1981, we see that both part-time and full-time students are reporting more hours of work.

The biggest changes are for part-time students where the percentage not working decreased from 29 to 22 percent. The percentage reporting full-time work or more increased from 44 percent in 1973 to 55 percent in 1981, an increase of a full 11 percentage points.

In summary, except for the last 2 years, college costs have kept pace with inflation. The average increase in public institutions appears somewhat more restrained than in the private sector. Overall college expenditures are somewhat contained by a shift of students to public 2-year colleges.

While the ratio of average student changes to median family income has remained fairly constant over the past decade, race ethnic disparities come into play in terms of ability to pay. Fortunately, student aid is contributing to an equalization of educational opportunity.

Finally, we have observed four demographic shifts that we believe relate, and perhaps respond, at least in part, to increased costs of college education—the dramatic rise in part-time students, the twofold increase in the 2-year college student, a shift in the age distribution on college campuses and a substantial involvement in full- and part-time employment.

That completes my testimony. I would be pleased to answer any questions that you might have.

Mr. SIMON. Thank you very, very much.

If I could shift you over to attachment 6 in your testimony down at the bottom to footnote 1, "Low income family—less than 12,000 years" should really be "less than $12,000 a year".

Mrs. ELDRIDGE. That was a typographical error we caught last night.

Mr. SIMON. OK.

Mrs. ELDRIDGE. Thank you.

Mr. SIMON. Now, whether we would consider someone as having high family income with $20,000 or more, somewhere at some point you make an arbitrary breakdown. Do we have any kind of breakdown of what percentage of low-income families, or middle-income families or high-income families are now attending the various institutions?

Mrs. ELDRIDGE. By type?

Mr. SIMON. By type.

Mrs. ELDRIDGE. I believe I could develop that for you, Mr. Simon. I did not bring it with me.

Mr. SIMON. Yes, I would be interested in that. I would be interested in not only what is happening today but what the situation was—how that would compare to, say, 5 years ago or 10 years ago—whatever period you could find.

Mrs. ELDRIDGE. To the extent that I can develop that, I will be pleased to submit it for the record.

Mr. SIMON. I would be interested in having that.

[The statistics follow:]

Table 1A shows the percentage of 1980 high school graduates who had enrolled in postsecondary institutions by October 1980. These students are the ones who enrolled in the Fall immediately following high school graduation. Others will enter at later dates. The rows of the table show the percentage distributions for various levels of family income.

Table 1B shows comparable statistics for 1972 high school graduates, eight years earlier. A comparison of tables 1A and 1B reveals that about the same percentage of 1980 high school graduates had not enrolled in a postsecondary institution in the Fall following graduation, as for the class of 1972 (47.7 versus 46.7 percent).

Since direct comparison of family income levels over an eight year period of marked inflation is inappropriate, we have developed five categories of family income—A (lowest), B, C, D, and E (highest)—with approximately the same percentage of students in 1972 and 1980. These are shown in Table 2 and used in Table 3. Table 3 reconfigures the data in tables 1A and 1B in accordance with these standardized categories.

TABLE 1A.—PERCENTAGE OF 1980 HIGH SCHOOL GRADUATES ENROLLED IN POSTSECONDARY INSTITUTIONS IN OCTOBER 1980, BY TYPE OF POSTSECONDARY INSTITUTION AND FAMILY INCOME LEVEL

Family income level	Not enrolled	Type of postsecondary institution					Total percent
		Voc./ Tech school	Public 2-year	Public 4-year	Private 2-year	Private 4-year	
Less than $7,000	63.5	7.5	8.6	15.0	0.4	5.0	100
$7,000 to $11,999	58.5	5.3	12.8	16.3	1.2	6.9	100
$12,000 to $15,999	55.3	8.6	12.7	15.6	0.8	7.0	100
$16,000 to $19,999	53.6	6.2	15.3	17.6	0.9	6.4	100
$20,000 to $24,999	45.1	6.9	13.6	22.0	1.1	11.4	100
$25,000 to $37,999	36.2	6.5	16.7	28.1	1.0	11.5	100
$38,000 or more	32.8	3.8	11.6	30.3	0.4	21.1	100
Total	47.7	6.4	13.6	21.3	0.9	10.1	100

Note.—Based on student reported data from the High School and Beyond Study, National Center for Educational Statistics. Student reports of family income are less accurate than responses by their parents.

TABLE 1B.—PERCENTAGE OF 1972 HIGH SCHOOL GRADUATES ENROLLED IN POSTSECONDARY INSTITUTIONS IN OCTOBER 1972, BY TYPE OF POSTSECONDARY INSTITUTION AND FAMILY INCOME LEVEL

Family income level	Not enrolled	Type of postsecondary institution					Total percent
		Voc./ Tech school	Public 2-year	Public 4-year	Private 2-year	Private 4-year	
Less than $3,000	65.9	7.4	8.9	13.9	0.2	3.7	100
$3,000 to $5,999	58.9	8.8	12.6	14.2	0.8	4.6	100
$6,000 to $7,499	58.6	9.0	11.8	14.7	0.9	5.1	100
$7,500 to $8,999	54.0	9.4	12.4	16.5	1.1	6.6	100
$9,000 to $10,499	48.3	8.5	13.8	20.7	0.7	8.0	100
$10,500 to $11,999	49.4	8.2	15.1	19.1	1.0	7.2	100
$12,000 to $13,499	45.6	7.0	14.8	22.1	1.1	9.3	100
$13,500 to $14,999	42.1	6.8	14.4	25.0	0.9	10.9	100
$15,000 to $18,000	34.3	6.7	16.5	29.8	2.1	10.6	100
Over $18,000	27.6	4.2	13.7	32.3	1.7	20.5	100
Total	46.7	7.5	13.6	21.7	1.1	9.5	100

Note.—Based on student reported data from the National Longitudinal Study of the High School Class of 1972, National Center for Education Statistics. Student reports of family income are less accurate than responses by their parents.

TABLE 2.—COMPARISON OF FAMILY INCOME LEVELS FOR 1972 AND 1980 HIGH SCHOOL GRADUATES

Family income category	Family income distributions			
	1972 High school graduates		1980 High school graduates	
	Family income level	Percentage of students	Family income level	Percentage of students
A	Less than $3,000	5.1	Less than $7,000	6.3
B	$3,000 to 8,999	29.9	$7,000 to 15,999	26.9
C	$9,000 to $11,999	22.4	$16,000 to 19,999	18.2
D	$12,000 to $14,999	17.1	$20,000 to $24,999	18.2
E	$15,000 or more	25.4	$25,000 or more	30.4
Total		100.0		100.0

TABLE 3.—PERCENTAGE OF 1972 AND 1980 HIGH SCHOOL GRADUATES ENROLLED IN POSTSECONDARY INSTITUTIONS IN THE OCTOBER FOLLOWING GRADUATION, BY TYPE OF POSTSECONDARY INSTITUTION AND FAMILY INCOME CATEGORY

Family income category	Year	Not enrolled	Type of postsecondary institution					Total percent
			Voc/ Tech school	Public 2-year	Public 4-year	Private 2-year	Private 4-year	
A	1980	63.5	7.5	8.6	15.0	0.4	5.0	100
	1972	65.9	7.4	8.9	13.9	0.2	3.7	100
B	1980	56.7	7.2	12.7	15.9	1.0	6.5	100
	1972	57.3	9.0	12.3	15.1	0.9	5.4	100
C	1980	53.6	6.2	15.3	17.6	1.0	6.4	100
	1972	48.8	8.4	14.4	20.0	0.8	7.7	100
D	1980	45.1	6.9	13.6	22.0	1.1	11.4	100
	1972	44.0	6.9	14.7	23.4	1.0	10.0	100
E	1980	34.6	5.3	14.4	29.1	0.7	15.9	100
	1972	30.1	5.1	14.8	31.4	1.9	16.7	100
Total	1980	47.7	6.4	13.6	21.3	0.9	10.1	100
	1972	46.7	7.5	13.6	21.7	1.1	9.5	100

Note.—Based on student reported data from the National Longitudinal Study and the High School and Beyond Study, National Center for Education Statistics. Student reports of family income are less accurate than responses by their parents.

Mr. SIMON. My concern—well, it was, in a sense, highlighted by the Wesleyan University statement that made the front pages of the New York Times that they were going to have to limit the number of low-income families that attended Wesleyan University. I am not picking on Wesleyan because a great many other schools have, in fact, quietly done it and simply haven't been as open about what is taking place.

Mrs. ELDRIDGE. Well, from my personal experience, I also know that some of the institutions are attempting to use part of the tuition and board fees to provide some additional institutional assistance to these low-income students so that those who can afford the higher fees are, in fact, subsidizing some of the lower income students.

Mr. SIMON. When on that same attachment you say, "The percentage of 1980 graduates attending college who receive either a grant or loan," are you talking about Federal grants and loans there, or any kind?

Mrs. ELDRIDGE. Not exclusively. Any assistance whatsoever.

Mr. SIMON. OK.

Let me ask you a general question and you are not speaking for your agency or the administration, you are speaking for Marie Eldridge personally.

You have had more of a chance than anyone in this room to really dig into these statistics. The real question is, "What do they mean, what do we do with them?" We now face reauthorization of the Higher Education Act. On the basis of what you have seen, if you were—and I don't want to wish this upon you—but if you were suddenly a Member of this subcommittee and a Member of Congress, how would you be restructuring the Higher Education Act to make sure that college was accessible and that we were doing what we ought to be doing in our society?

Mrs. ELDRIDGE. I do believe that some substantial work should be done in terms of truly understanding the financial situation of the

colleges in terms of the effectiveness of the pricing. I believe that is very important.

I am personally very much concerned about the issue that you raise that deals with the dichotomy in the tuition and fees that we see between not only the public and private 4-year colleges but also the distinction between the community colleges and the traditional 4-year colleges; But I am seeing also some rather encouraging indications in terms of the 2-year community colleges upgrading their programs. Perhaps we are going to begin to see a substantially greater student transferability and continuation in 4-year colleges and that may, in fact, provide a really very substantial relief in terms of the cost of 4 years of college education in this country.

So, to the extent that the 2-year institutions can serve, as a firm foundation for the full 4-year program—they could also serve as the testing ground, and the weeding out process, so that the 4-year colleges do not have, perhaps, students who are not most able to benefit from the educational experiences that are provided there. I do think that one has to look at the—it's not easy to do—the cost benefit ratios.

Mr. SIMON. Mr. Harrison.

Mr. HARRISON. Thank you, Mr. Simon. Good morning, Dr. Eldridge.

Mrs. ELDRIDGE. Good morning.

Mr. HARRISON. I am sorry that I wasn't here to hear your statement. I took a quick look through it as I was sitting here and basically one thing struck me—namely the statement that since 1981, students in the traditional college-age cohort, that's those under 21, were no longer the majority on our college campuses. So, I guess my question is, do you see any correlation between the rising cost of education and that fact? Are people waiting——

Mrs. ELDRIDGE. Yes, I think two factors come into play there. One, the statement, "Learning never ends," with persons continuing their education and recognizing that they need to continue their education. So we have many part-time adult learners who are continuing part time in a much greater proportion than we saw before.

The whole computer area, for example. The campuses are being swamped with evening courses in computer technology, as I understand it.

The other factor is that fewer of the students are entering college, within the last few years, immediately after high school, certainly full time, so they are stretching it out a bit. They are working more. Therefore, it is going to take them longer. They may take a year off. They may only go part time because they have to work 40 hours a week in order to assist the family with the tuition. So those two factors are, I think, coming into play. There is no question in my mind that if you go on the typical campus of a large university, you will no longer see the majority in the traditional college age group that we are accustomed to and that was there when we were there.

Mr. HARRISON. Along those lines, my second question is, Do we have any way of knowing how many of these older students are in school pursuing a degree as opposed to just going back for assist-

ance in changing occupations or to acquire new skills or something of that nature?

Mrs. ELDRIDGE. Excuse me a minute.

[Pause.]

Mrs. ELDRIDGE. We will have some limited data that we could make available to you. It's not collected in exactly the form in which you would want it, but I would be glad to provide what I can put together for you for the record.

[The data follows:]

Based on estimates derived from sample data collected on the October 1982 supplement to the Current Population Survey (Table 1), 891,000 persons over 35 years old were pursuing an academic degree (column 3), 726,000 persons over 35 years old were pursuing a vocational certificate (column 5). In addition, 3,003,000 persons (column 7) in the population over 35 years old reported they were taking some sort of adult education. Because these persons in adult education may also have been pursuing a degree, they should not be added to obtain a total.

TABLE 1.—NUMBER AND PERCENT OF PARTICIPANTS [1] IN POSTSECONDARY EDUCATION BY TYPE OF DEGREE PURSUED, AND BY AGE OF PARTICIPANTS: OCTOBER 1982

[Number in thousands]

Age	Total participants [2] in postsecondary education		Participants [1] pursuing an academic degree		Participants [1] pursuing a vocational certificate or diploma		Participants [1] not pursuing a degree, certificate, or diploma	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total, 14 and above	18,961	100.0	9,248	48.8	3,468	18.3	6,249	33.0
14 to 15	5	100.0	0	0	3	60.0	2	40.0
16 to 24	9,200	100.0	6,211	67.5	1,775	19.3	1,215	13.2
25 to 34	5,138	100.0	2,146	41.8	964	18.8	2,029	39.5
35 to 44	2,372	100.0	625	26.3	451	19.0	1,296	54.6
45 to 54	1,206	100.0	198	16.4	191	15.8	817	67.7
55 to 64	688	100.0	56	8.1	65	9.4	566	82.3
65 to 74	295	100.0	9	3.1	17	5.8	270	91.5
75 and up	58	100.0	3	5.2	2	3.4	54	93.1

[1] The number of participants is not an unduplicated count of persons, since there are an estimated 477,000 individuals who are both pursuing an academic degree (column 3) and are taking courses not in pursuit of a degree, certificate, or diploma (column 7). The unduplicated total for postsecondary participants is 18,961,000 – 477,000 or 18,484,000 persons.

- Note.—Details may not add to totals because of rounding. These data are estimates derived from a sample survey of the civilian noninstitutional population of the United States which was conducted as part of the October 1982 supplement to the Current Population Survey. Tables of standard errors are available upon request.

Source: U.S. Department of Education, National Center for Education Statistics, Current Population Survey (October 1982), Unpublished Tabulations (October 1983).

Mr. HARRISON. Thank you very much.

Thank you, Mr. Chairman.

Mr. SIMON. Mr. Gunderson.

Mr. GUNDERSON. No questions.

Mr. SIMON. Mr. Petri.

Mr. PETRI. No questions.

Mr. SIMON. We thank you very, very much for your testimony and your work.

Mrs. ELDRIDGE. Thank you, Mr. Simon.

Mr. SIMON. Next we will have a panel composed of Dr. John Phillips, Dr. Jacob Stampen and Dr. John Lee.

Dr. PHILLIPS. Do you want us left to right or right to left. [Laughter.]

Mr. SIMON. John Phillips, who is a veteran witness before this subcommittee, is the president of the National Association of Independent Colleges and Universities and the National Institute of Independent Colleges and Universities.

I confess that I am not familiar with the National Institute of Independent Colleges and Universities so perhaps you can take 30 seconds to tell us what that is.

[The prepared statement of Dr. John Phillips follows:]

PREPARED STATEMENT OF JOHN PHILLIPS, PRESIDENT, NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES AND NATIONAL INSTITUTE OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. Chairman and Members of the Subcommittee: My name is John Phillips. I am here today representing both the National Association of Independent Colleges and Universities, which endeavors to provide a unified national voice for independent higher education on legislative and regulatory matters, and the National Institute of Independent Colleges and Universities, which provides policy makers and the general public with research and policy analysis concerning developments within independent higher education and the impact of federal student aid and tax policies on independent higher education.

I appreciate this opportunity to visit with you briefly about the situation facing young Americans who hope to attend independent colleges and universities, and to describe for you the devastating blow that recent policies have dealt to the aspirations of students from lower and moderate income families to obtain the benefits of higher education at an independent college or university. Because independent higher education receives relatively little institutional support from government and is, therefore, heavily dependent on tuition and fees paid by students and their families, reductions of federal support for financially needy students have fallen with disproportionate severity upon those students who attend or hope to attend one of the 900 colleges and universities which comprise the NAICU/NIICU membership.

Let me give you the facts. During the 1981-82 academic year, NIICU conducted a massive survey of student aid records from a balanced national sample of aid recipients. Because this survey repeated surveys previously conducted in academic years 1978-79 and 1979-80, we were able to discern three-year trends in student aid for the entire independent sector. The trends we found in student aid packaging were at once both surprising and disturbing, especially in terms of the outlook for education of low-income students.

We found a dramatic decline in the number of undergraduate aid recipients from families with annual incomes in the range between $6,000 and $24,000. Indeed, from 1979-80 to 1981-82, independent higher education experienced a 39 percent decrease of student aid recipients from that family income range. This suggests that, because of increasing college costs that coincided with decreasing student aid dollars available from federal aid programs to meet those costs, many needy students who sought to attend independent colleges and universities suffered so greatly that they were forced to relinquish their basic educational aspirations. During this same period, the "buying power" of Pell Grants fell by nearly 35 percent for students attending independent colleges and universities, and we experienced almost a ten-percent loss in the number of Pell recipients at NAICU member schools.

How are lower and moderate income students coping?

They rely more heavily on need-based aid offered by the independent colleges and universities themselves. During the 1981-82 academic year, the percentage of aid recipients receiving institutional aid climbed to 55 percent, and the average institutional award increased to almost $1,500 per student.

They rely more heavily on Guaranteed Student Loans, and the concomitant debt burden which that involves. The number of independent college and university students participating in the GSL program doubled between 1979-80 and 1981-82, and average GSL borrowing climbed to $2,264.

For needy students still able to attend independent colleges and universities in 1981-82, their "self-help"—i.e., work, loans and expected student contributions—averaged more than 40 percent of total educational expenses—an increase of more than $1,000 per student from only two years earlier. (In fact, if we were to employ the current Administration's definition of self-help, needy students attending independent colleges and universities are, at this time, providing more than 60 percent of their total cost of attendance through self-help.)

But the real story—and the really sad story—is that low-income students simply are not coping with the federal policy changes. Last September, overall enrollment declined in independent colleges and universities, and the number of full-time entering freshment declined by more than 4 percent. Almost two-thirds of all independent colleges and universities reported declines in freshman class enrollments.

These declines may appear modest, but they present two serious problems: First, this loss of entering freshmen will cost the nation's independent colleges and universities more than a quarter of a billion dollars in tuition and fee revenues during the next four years. But, more importantly, there are strong indications that the students who have lost the opportunity to attend an independent college or university (perhaps even any institution of higher learning) are precisely those students from lower and moderate income families which the federal student aid programs were designed to help most.

Our studies of student financial aid have shown that the loss of low-income students in independent colleges and universities between 1979–80 and 1981–82 corresponded with a sharp decline of minority participation. This judgment was confirmed last Fall when we found that the group of independent colleges and universities with the largest proportion of student aid recipients—our historically Black colleges—suffered a full 10-percent loss of entering freshmen. These students, and other needy students attending colleges with tuitions of more than $2,000 (this group includes a number of state universities in addition to virtually all independent colleges and universities) will receive absolutely no additional help whatsoever from any of the recent and scheduled changes in the Pell Grant program except those changes that increase the maximum Pell Grant award. We ask that you give careful consideration to these needy students, who are assuming ever greater work and debt burdens in their struggle to attend the colleges they believe are best suited to their needs—the colleges which they think will assist them most and best in their educational development.

But we are not only asking for your assistance. We are taking steps to help you determine the exact scope of the problem and the precise needs of these students who most deserve help. We currently are awaiting final word from a major foundation about funding for a 1983–84 update of the student aid recipient data file that has provided the important information I have outlined for you today. We hope that we can provide current information on students attending independent colleges and universities for you by next Spring.

Also, we are determined to address the special problems faced by specific subgroups of independent colleges and universities. In particular, we currently are joining with the National Association for Equal Opportunity in Higher Education, the United Negro College Fund, and the Office for the Advancement of Public Black Colleges, to carefully assess the impact of changes in student financial aid on all historically Black colleges, both public and independent.

We do this to show you that our needy student aid recipients are working more, assuming more debt burden, and exacting more help from their parents, all for the relentless effort to afford the college of their choice. They need not less federal student assistance, but much more if the promise of truly equal educational opportunity for all Americans to enroll in all available study programs is to be fulfilled.

Before I close, let me note that while I have spent most of my time today discussing undergraduate education, I want you to know that we are very much concerned about the increasing problems students face in financing graduate education, and we commend the Committee for scheduling specific future testimony on this subject. We also have concerns about abuse of the definition currently used to determine independent student status, a subject of an additional hearing that you have scheduled.

Mr. Chairman, I appreciate this opportunity to present our concerns, and I would be pleased to respond to any questions which you or other Members may have.

STATEMENT OF JOHN PHILLIPS, PRESIDENT, NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES AND THE NATIONAL INSTITUTE OF INDEPENDENT COLLEGES AND UNIVERSITIES, ACCOMPANIED BY JULIANNE STILL THRIFT, EXECUTIVE DIRECTOR, NATIONAL INSTITUTE OF INDEPENDENT COLLEGES AND UNIVERSITIES

Dr. PHILLIPS. Mr. Chairman, that's our research and policy analysis arm and the executive director of that institute is immediately

behind me, Mrs. Julianne Still Thrift. They do special studies on the conditions in independent higher education, the impact of Federal policies on the member colleges and schools, the status of students and they have done studies of particular importance to this testimony that I am going to give this morning.

Mr. SIMON. OK. We will call on you first.

Dr. PHILLIPS. First of all, Mr. Chairman, I am grateful for this opportunity to visit with you briefly this morning about the current situation for young Americans who hope to attend independent colleges and universities and to describe for you the devastating blow that recent policies have dealt to the aspirations from lower and moderate income families to obtain the benefits of higher education in an independent college or university. Because independent higher education receives relatively little institutional support from government and, therefore, is heavily dependent on tuition and fees paid by students and their families—I might add parenthetically that that figure is right around 67 percent—67 percent of all of the operating revenues, educational and general revenues that a private college receives today come from the payment of student tuition and fees.

So every time the cost of operation goes up a dollar you have got to find—you have got to raise the tuition and fees by an average of 66, 67 percent. Therefore, reductions in federal support for financially needy students have tended to fall with disproportionate severity upon those students who attend or hope to attend one of the 900 colleges and universities which comprise the NAICU membership.

Let me give you the facts of the situation. During the 1981-82 academic year, NIICU conducted a survey of student aid records from a national sample of aid recipients. Because this survey repeated surveys previously conducted in academic years 1978-79 and 1979-80, we were able to discern three year trends in student aid for the entire independent sector. The trends we found in student aid packaging were at once both surprising and disturbing especially in terms of the outlook for the education of low-income students.

There was a dramatic decline in the number of undergraduate aid recipients from families with annual incomes in the range between $6,000 and $24,000. Indeed, from 1979-80 to 1981-82, independent higher education experienced a 39-percent decrease of student aid recipients from that broad family income range.

Now, we all acknowledge that some part of that results from inflation of incomes at the higher end so they are being pushed out at the $24,000 end of that group. But we think that this is a very significant—you know, only a small part of that loss is due to inflation of family incomes.

It suggests that because of increasing college costs that coincided with decreasing student aid dollars available from Federal aid programs to meet those costs many needy students who sought to attend independent colleges and universities suffered so greatly that they were forced to relinquish their basic educational aspirations.

During this same period from 1979-80 to 1981-82, the buying power of Pell grants fell by nearly 35 percent for students attending independent colleges and universities and we experienced

almost a 10-percent loss in the total numbers of Pell grant recipients at NAICU-member schools. Again, if I could depart from my prepared testimony and just give you a kind of a summation of the situation with regard to Pell grants at independent colleges and universities.

In 1979, when the Pell grant maximum award first reached $1,800, the average cost of going to a SPLAC, a small, private, liberal arts college—that's the terminology we used to use at HEW—the average cost of attending a SPLAC was $5,400. So a maximum Pell grant award of $1,800 covered a third of the cost and the amount uncovered was $3,600. OK? $300 that you had to find from loans and work and so on.

Now, as you know, since 1979, we have gone through some concatonations of some severity here and the Pell grant maximum has fluctuated, but it is finally now back to $1,800. Right? And for next year, according to the Conference Committee report we are going to have a $1,900 maximum.

The average cost of going to a SPLAC next year is going to be $9,000. OK? And you are going to have a $1,900 Pell grant. Do you know what that percentage is? That's 21 percent. So the amount of the cost of going to a private college has declined from 33 percent to 21 percent in a 5-year period. Look at what the uncovered cost is now as opposed to 1979. In 1979, I told you it was $3,600. Next year it will be $7,100. That means that the uncovered cost of going to college in an independent college has increased—it has doubled—for all intents and purposes, it has doubled in five years.

That's why I can then turn back to my prepared testimony and tell you what's going on, if you leave that large a percentage and that large a dollar amount uncovered by Pell grant aid, here's what happens.

The lower and moderate income students are coping with this problem by relying much more heavily on need-based aid offered by the independent colleges and universities themselves. During the 1981-82 academic year, the percentage of aid recipients receiving institutional aid climbed—and I neglected to put in here from what level it declined—it climbed from 45 to 55 percent and the average institutional award increased to almost $1,500.

Now if you multiply that out—incidentally the base from which that came was about $1,200 so it increased about $300 during that time frame that I have agreed to; what that means is that nationally independent colleges and universities themselves are digging into their cash, their endowments, their reserve funds and coming up with three-quarters of a billion dollars every year in institutional need-based grants to try to offset the loss of federal aid. Now, how long can you do that without undermining the financial stability of your college?

Second, they are relying much more heavily on guaranteed student loans and the concomitant debt burden which that involves. The number of independent colleges and university students participating in the GSL program doubled—repeat, doubled—between 1979-80 and 1981-82. The average GSL borrowing per year climbed from $1,787—that's the base figure there that I should have put into the testimony—to $2,064. What this means is that in that timeframe, 1979-80, 1981-82, the percentage of student aid recipients

receiving guaranteed loans increased from 23.5 percent to 53.3 percent. OK? That means practically everybody now is having to go to the loan window in order to find an opportunity to go to those colleges.

For needy students who are still able to attend independent colleges and universities, in 1981–82, their self-help, that is to say, the total work, loans and expected student contributions averaged more than 40 percent of the total education expenses—an increase of more than $1,000 per student from only 2 years earlier.

An interesting sidelight here, if you were to take the administration's definition of self-help, which God forbid we should do, but if we were to do that, actually the students enrolled in independent colleges and universities student aid recipients would be covering 60 percent of their costs through the combination of self-help programs.

But the really sad story is that the low-income students in this country simply are not coping with the Federal policy changes insofar as going to independent colleges. Last September overall enrollment declined at independent colleges and universities and the number of full time entering freshmen declined by more than four full percentage points.

Almost two-thirds of independent colleges and universities reported declines in freshman class enrollments. These declines may appear modest, but they present two serious problems. First, this loss of entering freshmen will cost the Nation's independent colleges and universities more than a quarter of a billion dollars in fee revenues during the next 4 years. Add that to the three-quarters of a billion that they are spending to try to finance the unfunded student aid that has been lost in the last 5 years and they are $1 billion down this year for sure as minimum.

But, more importantly, there are strong indications that the students who have lost the opportunity to attend an independent college or university, or perhaps even any institution of higher learning, are precisely those students from lower and moderate income families which the Federal student aid programs were designed to help most.

Our studies of student financial aid have shown that the loss of low income students at independent colleges and universities corresponded with a sharp decline of minority participation. This judgment was confirmed last fall when we found that the group of independent colleges and universities with the largest proportion of student aid recipients, our historically black colleges, suffered a full 10 percentage point loss of entering freshmen.

These students and other needy students attending colleges with tuitions of more than $2,000—and incidentally, that group includes a significant number of State universities as well as independent colleges—will receive absolutely no additional help whatsoever from any of the recent and scheduled changes in the Pell grant program except those changes that increased the maximum Pell grant award.

We, therefore, have to ask that this committee give special consideration and attention to the needy students who are assuming ever greater work and debt burdens in their struggle to attend colleges which they believe are best suited to their needs, the colleges

which they think will assist them most and best in their educational development.

We are not only asking for your assistance as you pursue the questions of reauthorization. We are taking steps to help you to determine the exact scope of the problem and the precise needs of these students who most deserve help.

We are currently awaiting final word from a major foundation about funding of a 1983-84 of the student aid recipient data file that has provided the important information that I have outlined for you today. We hope we can provide current information on students attending independent colleges and universities for you by next spring. By next spring, I am talking March.

Also we are determined to address the special problems faced by specific subgroups of independent colleges and universities. In particular, we currently are joining with the National Association for Equal Opportunity in Higher Education, the United Negro College Fund, and the Office for the Advancement of Public Black Colleges carefully to assess the impact of changes in student financial aid on all historically black colleges, both public and independent. We do this, in part, to show you that our needy student aid recipients are working more, assuming more debt burden and exacting more help from their families—all in the relentless effort to afford the college of their choice. They need not less Federal student assistance, but much more if the promise of truly equal educational opportunity for all Americans to enroll in all available study programs is to be fulfilled.

Mr. Chairman, you can read the remaining passages in my testimony. I'll stop here and take any questions that you may have for me at this time.

Mr. SIMON. Thank you for your very substantial testimony.

Our next witness is Dr. Jacob Stampen, assistant professor, Department of Educational Administration, the University of Wisconsin at Madison.

[Prepared statement of Dr. Jacob Stampen follows:]

PREPARED STATEMENT OF JACOB O. STAMPEN, ASSISTANT PROFESSOR, DEPARTMENT OF EDUCATIONAL ADMINISTRATION, UNIVERSITY OF WISCONSIN—MADISON

This testimony responds to several questions from Congressman Simon's letter of invitation:

(1) To what degree have college costs risen during the past decade?

(2) What factors account for this rise?

(3) How are students financing their educations?

(4) What changes have occurred in the ways students finance their educations?

In recent years the cost of college attendance has increased at roughly the same percentage rate as the increase in the Consumer Price Index. Evidence of this is provided in a recent publication by Cathy Henderson of the American Council on Education Policy Analysis Service, entitled, "College Costs: Recent Trends, Likely Future." For 1983-84 it is estimated that average tuition and fee and room and board costs at a public college or university, at which nine out of ten students pay state resident tuitions, is $4,618. This figure does not include the cost of books, supplies, transportation, health care and insurance and other expenses. Also, average costs vary by type of institution. For example, costs are lower at public two year institutions than at public research universities.

Many factors account for the rate of increase in college attendance. Goods and services purchased by colleges and universities have in many cases acted to escalate costs. On the other hand, physical plant and equipment costs have been restrained due to tight state budgets and anticipated enrollment declines, and faculty salaries have lagged behind inflation during most of the past decade.

Roughly one-third of the students attending public colleges and universities (3 million) receive aid from federal, state, and institutional programs. This is a finding from a 1981-82 study entitled, "Student Aid and Public Higher Education: A Progress Report." Other aid is provided by private sources (i.e., outside institutionally monitored student aid) such as community organizations or various kinds. However, amounts of aid from these sources are very small compared to government sponsored aid. Roughly nine out of ten student aid dollars derive from federal programs. Also, percentages of students receiving aid vary by type of institution. For example, only two out of ten students attending low tuition two year community and junior colleges receive federal, state, or institutional aid whereas roughly half of the students attending more expensive four year colleges and research universities receive such aid.

Student aid in public higher education is distributed in a manner whereby grants are centered on students from the lowest income families. As incomes rise, aid in the form of loans is increasingly relied on. For example, dependent and independent state resident undergraduate students earning less than $9,290 in 1981-82 received 55 percent of all grant aid, whereas the $15,323 to $25,407 income range accounted for only 14 percent of all grant aid. This and other evidence supported the public college study's conclusion that, "Student aid programs do what they were originally intended to do. They distribute dollars—mostly federal—to students who would otherwise have difficulty financing a higher education." Also, for all students receiving aid on the basis of financial need, aid from all sources including grants and loans, averaged 62 percent of total dependent student expenses and 44 percent of total independent student expenses.

The central question of this panel is how student aid recipients and other students pay for college and how these efforts may have changed in recent years. Until now the results of the recent public higher education student aid study, which only provided data for a single year, 1981-82, have been cited.

At this point an attempt will be made to respond more directly to the panel's central question. This will be accomplished with the aid of preliminary results from a project currently being conducted through the Wisconsin Center for Research and Development in Education. The purpose of this project is to develop a survey instrument for a national student resource and expenditure study. In short, we are trying to shed more light on how all students, including student aid recipients, pay for college. At this point the instrument had only been tested on full time undergraduate students attending one institution, the University of Wisconsin—Madison, during the academic year 1981-82. Therefore, it is cautioned that results may vary among different kinds of institutions. However, at least two preliminary findings seem worthy of mention at this time. One is that the family incomes of students receiving aid on the basis of financial need were significantly lower than the incomes of non-need based aid recipients and non-aid recipients. Respectively, average incomes were roughly $25,000, $35,000 and $45,000.

The second finding is that student aid is not the single most important source of financial assistance for Madison students. Grants and loans rank second and third, but work ranks first. Roughly nine out of ten students in each of the previously mentioned categories were employed during the summer and six out of ten need based aid recipients said they would not be enrolled full-time during the semester in which said they would not be enrolled full-time during the semester in which they were interviewed without such employment. Also, a higher proportion of need-based aid recipients (58 percent) than other students (40 percent) worked during the school year. The situation suggested by the attached table and responses to the total survey is that students finance their educations from a wide variety of sources and that amount these student aid is very important. Also, if in a broader study levels of student employment are as high at other institutions as they are at Madison, it may be questioned whether other generations of students have worked more than the present one to finance their educations.

THE HIGHER EDUCATION STUDENT RESOURCE AND EXPENDITURE SURVEY 1981–82: FULL-TIME UNDERGRADUATE STUDENTS ATTENDING THE UNIVERSITY OF WISCONSIN—MADISON BY STUDENT AID RECIPIENT STATUS

	Needbased aid recipients (including GSL)	Nonneed based aid recipients (including GSL)	Nonrecipients
Percent of students	30	47	22
Average annual expenditure	$5,210	$4,622	$5,012
Percent working:			
Last summer	87	87	84
During school year	58	41	40
Working for food-lodging (nonmonitary)	5	1	5
Percent using personal or family resources:			
Assets and savings	63($318)	65($442)	68
Money from parents	33	64	77
Money from relatives-friends	11($31)	15($25)	6($24)
Money from spouse	4($49)	2($22)	4($45)
Living with parents	5	1	18
Percent receiving student aid:			
Grants	84($332)	6($10)	0
Loans	79($1,283)	71($1,898)	0
Work-study	16	0	0
Academic scholarships	21($105)	21($19)	0
Athletic scholarships	5	3	0
Percent receiving aid from miscellaneous sources: AFDC, child support, veterans benefits, social education benefits, insurance payments, food stamps, unemployment compensation	8($12)	19($167)	0

Notes.—(1) Numbers in parenthesis next to the percentage columns indicate total dollars divided by the total number of students within each category. Dollar amounts will be available for all of the listed categories in the results of future surveys.

(2) These figures are taken from the first stage of a project to develop a student resource and expenditure survey. A second generation instrument is currently being tested at the University of Wisconsin—Madison in preparation for a national study focusing on how students pay for college. This project is currently receiving support from the American Council on Education, the Wisconsin Center of Research and Development in Education, the International Institute of Education and the University of Wisconsin—Madison Survey Research Laboratory.

STATEMENT OF JACOB O. STAMPEN, ASSISTANT PROFESSOR, DEPARTMENT OF EDUCATIONAL ADMINISTRATION, UNIVERSITY OF WISCONSIN—MADISON

Dr. STAMPEN. Thank you. I might add that my research has been sponsored by the American Association of State Colleges and Universities and the Association of Community and Junior Colleges and the National Association of State Universities and Land Grant Colleges.

As pertains to public colleges and universities, this testimony responds to several questions from Congressman Simon's letter of invitation. To what degree have college costs risen during the past decade? What factors account for this rise? How are students financing their educations? What changes have occurred in the way students finance their educations?

In recent years the cost of college attendance has increased at roughly the same percentage rate as the increase in the Consumer Price Index. Evidence of this is provided in a recent publication by Cathy Henderson of the American Council on Education's Policy and Analysis Service entitled, "College Costs: Recent Trends and Likely Future" and I have distributed copies of this to you.

I might add that, as was said earlier, in the last couple of years tuition increases have exceeded the inflation rate.

For 1983–84, it is estimated that the average tuition fee and room and board costs at public colleges and universities at which 9

out of 10 residents pay State residents tuitions, is $4,618. This figure does not include the cost of books, supplies, transportation, health care, insurance and other expenses. Also average costs vary by type of institution. For example, costs are lower at public 2-year institutions than at public research universities.

Many factors account for the rate of increase in college attendance. Goods and services purchased by colleges and universities have in many cases acted to escalate costs. On the other hand, physical plant and equipment costs have been restrained due to tight State budgets and anticipated enrollment declines, and faculty salaries have lagged behind inflation during most of the past decade.

Roughly one-third of the students attending public colleges and universities, and that's 3 million students receive aid from Federal, State, and institutional programs. This is the finding of a 1981-82 study entitled, "Student Aid in Public Higher Education: A Progress Report." I have also passed out copies of this report.

I might add that this study—John just mentioned that we are hoping to replicate some data bases and his is for independent colleges and universities and I developed one for public colleges and universities and that's recorded in here.

This was the first effort to take a comprehensive view across the spectrum of higher education of how all of the student aid programs impact higher education. That is, all of the Federal programs, the State programs and institutional programs.

The Federal Government has maintained records on individual programs, but until this joint effort in 1981-82 no one had taken a look at the whole and seen how aid was distributed. Now the independent colleges and universities have conducted these studies for several years. The 1981-82 study was the first one for public higher education.

Aside from the aid reported in that study, other aid is provided by private sources, usually outside the institutional and monitored student aid, such as community organizations of various kinds. The Middleton Garden Club Scholarship is an example of the kind I am referring to. These are generally small grants by the Kiwanas Club to outstanding graduates of a high school. They are quite numerous, but they don't add up to a lot of money. They are mostly an honor. Amounts of aid from these sources compared to Government-sponsored aid, roughly 9 out of 10 and dollars are derived from Federal programs. Also, percentages of students receiving aid varied by type of institution. For example, only 2 out of 10 students attending low tuition, 2-year, community and junior colleges received Federal, State, and institutional aid, whereas roughly half of the students attending more expensive 4-year colleges and research universities receive such aid.

Student aid in public higher education is distributed in a manner whereby grants are centered on students from the lowest income families. As incomes rise, aid in the form of loans is increasingly relied on. For example, dependent and independent State resident, undergraduate students earning less than $9,290 in 1981-82 received 55 percent of all grant aid. Whereas, the $15,000 to $20,000 income range accounted for only 14 percent of all grant aid.

This and other evidence supported the public college study's conclusion that student aid programs do what they were originally intended to do—distribute dollars, mostly Federal, to students who would otherwise have difficulty financing a higher education. I might add that roughly 8 out of 10 students and 8 out of 10 student aid recipients are attending public institutions.

Also, for all students receiving aid on the basis of financial aid, aid from all sources including grants, loans, work and other things averaged 62 percent of total dependent student expenses and 44 percent of total independent student expenses.

The central question of this panel is how student aid recipients and other students pay for college and how these efforts may have changed in recent years. Until now the results of our recent higher public education study, which only provided data for a single year, 1981–82, have been cited.

At this point, I will make an attempt to respond more directly to the panel's central question. This will be accomplished with the aid of preliminary results from a project currently being conducted through the Wisconsin center for research and development in education. The purpose of this project is tc develop a survey instrument for a national student resource and expenditure study. In short, we are trying to shed more light on how all students, including student aid recipients, pay for college. At this point, the instrument has only been tested on full-time undergraduate students attending one institution, the University of Wisconsin—Madison, during academic year 1981–82. Therefore, it is cautioned that the results may vary among different kinds of institutions. However, at least two preliminary findings seem worthy of mention at this time.

One is that family incomes of students receiving aid on the basis of financial need were significantly than the incomes of not-need-based aid recipients and not-aid recipients. Respectively, average incomes were roughly $25,000 for need-based aid recipients; $35,000 for people who received aid, but not on the basis of need; and $45,000 for those who do not receive aid.

The second finding is that student aid is not the single most important source of financial assistance for Madison students. Grants and loans rank second and third, but work ranks first. Roughly 9 out of 10 students in each of the previously mentioned categories, that is, the ones who receive aid on the basis of need and the ones who receive aid, but not on the basis of need, and the ones who do not receive aid, were employed during the summer preceding our survey. Six out of ten need-based aid recipients said they would not be enrolled full time during the semester in which they were interviewed without such employment.

Also, a higher proportion of need-based aid recipients, 58 percent, compared to other students, 40 percent, work during the school year. The situation suggested by the attached table and responses to the total survey is that students finance their education from a wide variety of sources and that among these student aid is very important.

If, in a broader study, levels of student employment are as high at other institutions as they are at Madison, it may be questioned

whether other generations of students have worked more than the present one to finance their education.

One thing I might just mention about this data base is that the study that John referred to, the creation of student aid recipient data banks for independent and public higher education, were necessitated because nothing like it existed before. I think this kind of instrument is also necessary because clear information about the full extent of student resources and expenditures has been lacking. So the reason I mention preliminary findings like this is because I want to illustrate the utility of this kind of an effort and then the surprising results that such a high percentage of students work.

I have made a recent midlife career change to academia but for many years before that I have covered evidence and I had not seen anything like that before.

Mr. SIMON. Thank you.

The final member of the panel is Dr. John B. Lee, director of the division of human resources of the Applied Systems Institute.

Dr. Lee.

Dr. LEE. Mr. Chairman, thank you very much. We may want to put the full testimony in the record and I will just touch on some of the highlights.

Mr. SIMON. We will do that.

[Prepared statement of Dr. John Lee follows:]

PREPARED STATEMENT OF DR. JOHN B. LEE, DIRECTOR, DIVISION OF HUMAN RESOURCES, APPLIED SYSTEMS INSTITUTE

Mr. Chairman, Members of the Subcommittee, today I would like to present some information on the cost of postsecondary education and how students meet these costs. I have chosen to note changes since 1974. The period since 1974 has been marked by inflation, recession, and changes in Federal student aid programs.

I. COLLEGE COSTS

Since 1974 college costs have not risen as quickly as inflation. According to College Scholarship Service (College Board, 1974, 1982) cost of attendance for a full-time resident student has not increased as much as inflation. In a period in which inflation increased 96 percent (1974–1982), the cost of attending a private four-year college increased 85 percent, public community college costs increased 65 percent, public four-year college costs went up by 83 percent, and private two year colleges costs increased by 59 percent.

If college costs had risen with inflation since 1974, the typical annual cost would be between $300 and $1,000 more in 1982 depending on which sector a student attended. Private two-year college costs increased the least and private four-year college costs increased the most.

II. STUDENT AID

Federal government support for students, when measured in 1982 dollars, peaked in 1976. This was the year when support for Vietnam veterans was at its highest. Since that time the number of veterans utilizing their benefits has declined and in 1982 the number of students receiving Social Security assistance began to decline also. Increases in need based support programs operated by the Department of Education have not overcome this decline (Chart 1).

The dollar outlays by the Department of Education for student aid have increased since 1974 (Chart 2). In 1982 dollars, the peak year for grant assistance was 1980. Growth in the self-help programs (College Work Study, National Direct Student Loans and Guaranteed Student Loans) has accelerated during this time period, due almost entirely to the cost of subsidizing the Guaranteed Student Loan program. An increasing proportion of the Department's student aid resources is now directed toward aid programs where students assume an obligation in return for the aid: Either they must earn the dollars through work or they must repay a loan.

Students have been affected by these trends in student financial assistance and college costs. According to the Freshmen Norms (Astin et. al., 1974, 1982) 45 percent of all full-time freshmen received some form of grant or loan in 1974. In 1982, 56 percent of the same population reported a grant or loan. The number of aid recipients has increased.

The proportion of costs covered for each recipient has decreased. In 1974 recipients were able to cover 52 percent of their costs with a grant or loan. By 1982 the aid-covered proportion had dropped to 42 percent.

The effect of changes in Departmentally managed aid programs has been to increase the number of students receiving aid, but to reduce the purcashing power of the aid for each recipient. This shift has had a relatively greater impact on the lowest income students. Maximum grant size has not kept pace with inflation. In order to have a Pell grant that would equal the purchasing power of $1,400 in 1974, a maximum grant of $2,700 would have been needed in 1982. Those who benefited the most from increases in Federal student aid have been middle income students, who become eligible for Guaranteed loans in 1980.

The following sections review the different patterns of financing for: Income groups, high school achievement levels, and racial groups. Twenty different sources of funds are considered. The sources can be categorized as coming from families; the Federal government; state, institutional and private agencies; and other incidental sources. All the data reflect the reports of full-time freshmen in college in the Fall of 1982.

A. Financial Aid by Family Income

Federal aid is sensitive to family income. The following table (Table 1) indicates that in all cases, low income students are more likely to receive financial assistance from a government source (Federal or state) than are higher income students. Guaranteed loans are the most likely form of Federal assistance to be used by middle income students.

Other sources of support also show differences related to family income. The proportion of students receiving assistance from parents drops as family income declines. Utilization of part-time work and savings is reasonably stable across income categories. The proportion of students receiving aid from state, college, or private sources increases as income decreases, but not to the same extent as Federal grant programs. Other benefits are slightly related to income. In general, low income students are more dependent on support sources external to the family to pay for college.

Students' expression of concern about meeting the costs of college increase as income decreases. Thirty-five percent of the lowest income students indicate concern about finances compared to five percent of the highest income students.

B. Financial Aid by High School Grades

There has been increasing interest lately in aiding students who show academic promise. Table 2 reviews differences in how freshmen finance their college education given different academic performance in higher school. Generally, there is a positive relationship between grades and income. But, if receipt of a Pell Grant is used as a proxy for need, then the relationship is not very strong because Pell Grants are evenly distributed among the grade categories. The pattern of support by high school grades is different and somewhat independent of the pattern by income.

Federal aid shows a slight positive relationship with grades. The relationship is not very strong. State, college and private grants show a strong relationship with grades. Parental support and savings increase as grades increase.

Part-time work does not seem to be related to grades. Full-time work is negatively related but is used by a relatively small proportion of students. Other sources of support are not related to high school grades. Financial concern is slightly higher for students with low high school grades.

Part of the difference in these data may be attributed to the fact that students with higher grades are more likely to attend a higher cost college.

A comparison of the information on aid by income and aid by grades suggests the following:

The propensity to save is much higher among students with higher high school grades. Savings behavior does not vary that much by income groups.

State, college, and private grants are sensitive to both grades and income. They are focused on low income, high ability students.

Parents are less likely to support students in college who received low high school grades, regardless of income.

These results suggests that family income and high school grades operate somewhat independently as predictors of how college education is funded.

C. Financial Aid by Race

Much of the original impetus for Federal student assistance programs came from a desire to provide equal educational opportunity for minority groups. There continue to be wide differences between majority and minority students in how they finance college costs. Our data are limited to addressing the differences between the black and non-black population. Data on other ethnic and racial minorities are unreliable because of limited sample size.

Black students are much more likely to have low income than non-blacks. Black students make up 24 percent of all students under $10,000 family income and 2.5 percent of those over $50,000. Table 3 describes the difference in the sources of funds used by the two groups. Black students are less likely to report funds from parents, part-time work, summer savings, and other savings. Black students are more likely to report assistance from all Federal sources of aid. The only exception to this is the GSL program in which black and non-black students report equal shares. Black students have doubled their utilization of GSL's since 1978 while overall use of GSL's declined in 1982.

Black students are slightly more likely to receive funds from state and institutional sources. Black students are also more likely to report assistance from other sources. Finally, it is evident that black students are more concerned about how they are going to fund college costs.

It is significant that financial inequities between the races continue. Federal student assistance is more important as a source of funds for black than non-black students.

III. CONCLUSIONS AND IMPLICATIONS

Student financial assistance is an important part of how students pay for college. There are other important partners in the system: Families; institutions, states and private agencies; and other incidental sources. The patterns of how students finance college show considerable differences. This testimony has reviewed the patterns for different income groups, ability groups, and racial groups.

A. Inflation

The inflation of costs indicates two things. First, because costs did not exceed inflation, there is no basis for arguing that increased student assistance has caused inflation in the cost of attendance. Second, because schools have fallen behind inflation, there is a good possibility that costs of college attendance will exceed the more modest current level of inflation.

Inflation has resulted in the greatest reduction in the value of student aid for the neediest students. Maximum award levels would almost have to have doubled from 1974 levels if purchasing power were to be maintained.

The evidence indicates that veterans and Social Security assistance tended to go to lower income students. This compounds the reduction in Pell funding that has been experienced since 1980. Eligibility for the GSL program has been extended to the middle income population since 1980. The result is that more students are receiving a relatively smaller subsidy now than was the case in 1974. Low income students have experienced the brunt of this shift in policy combined with inflation.

B. Income and Ability

High ability students, as measured by high school grades, are more likely to receive aid from state, institutional, and private sources than are lower ability students. These programs represent nearly $5.5 billion in financial assistance (Leider, 1983). These funds are also sensitive to income. They are serving low income, high ability students.

Federal aid is more income sensitive with a slight bias toward students with higher grades. This may be due to the fact that students with high grades tend to go to more costly colleges.

Parents are more likely to provide support for their offspring with high grades compared to those with low grades, regardless of income. Savings follow the same pattern. This may indicate the expectation on behalf of these families that the child is likely to attend college, while low achieving high school students do not warrant the same support.

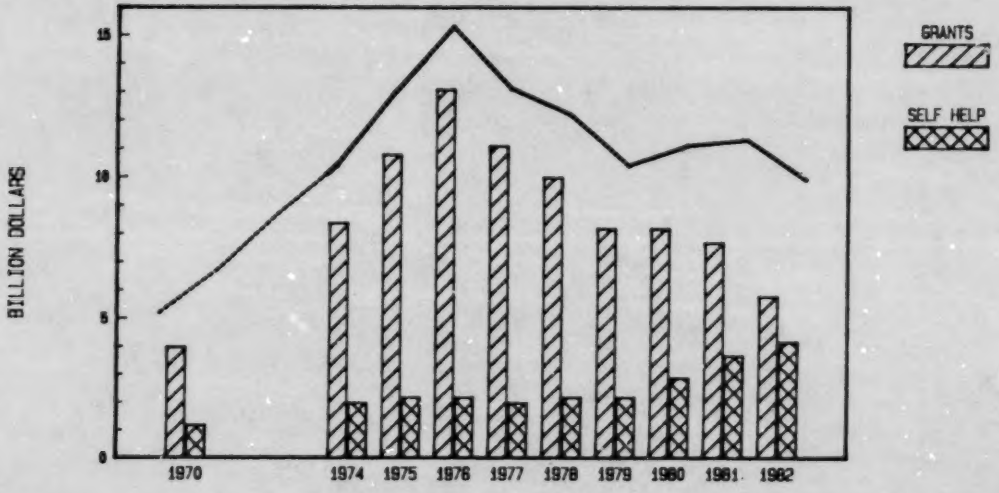
C. Race and Student Aid

Black students in American higher education are at the bottom of the income scale. Federal student aid is more important to black students than non-blacks. Any changes in Federal student aid policy will have nearly twice the effect on black students than non-black students. The biggest change for black students has been the sharp increase in the utilization of Guaranteed loans. Use has doubled since 1978.

31-288 O—84——5

CHART 1

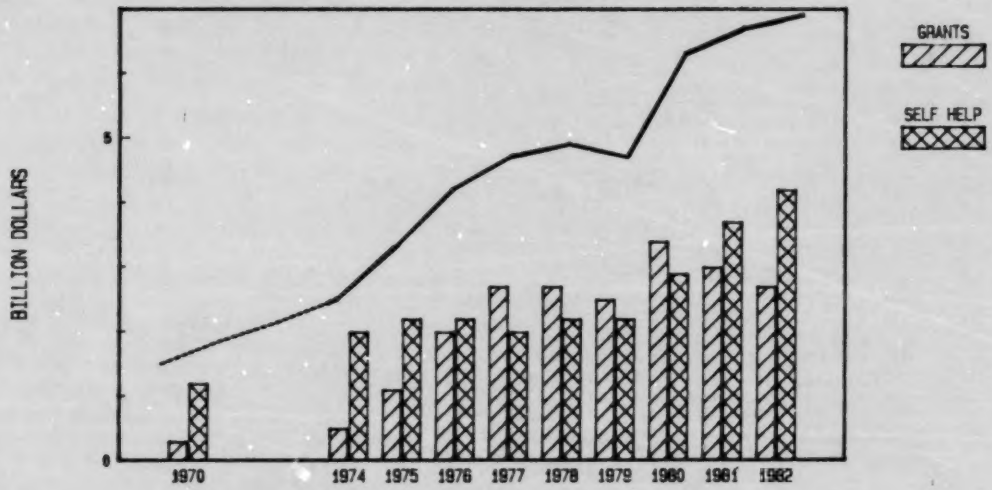
FEDERAL OUTLAYS FOR FINANICAL AID
EXPRESSED IN 1982 DOLLARS



THE BLACK LINE (I.E. —— AND THE SOLID ONE) STAND FOR TOTAL OUTLAY

CHART 2

DEPARTMENT OF EDUCATION
STUDENT ASSISTANCE OUTLAYS
EXPRESSED IN 1982 DOLLARS



THE BLACK LINE (I.E. —— AND THE SOLID ONE) STANDS FOR TOTAL OUTLAY

31

Table 1
Proportion of Students Aided by Family Income

Source of Support		Family Income (in thousands) $50+	$40-49.9	$30-39.9	$25-29.9	$20-24.9	$15-19.9	$1[illegible]14
	Parental Assistance/ Gift	85%	83%	78%	74%	70%	66%	6[illegible]
Parents, Self	Part-time Work	16	24	28	30	30	29	2[illegible]
	Full-time Work	2	2	2	3	3	3	3
	Summer Savings	38	45	48	47	44	42	39
	Other Savings	18	22	22	21	20	19	17
	Spouse	1	1	1	1	2	2	2
Federal	Pell	4	7	11	18	28	41	49
	SEOG	1	2	3	5	7	9	12
	NDSL	1	3	5	8	9	10	10
	GSL	9	16	23	28	27	27	27
	CWS	3	7	10	13	15	16	19
State, Institutional Private	State Grant	5	7	10	15	18	22	24
	College Grant	6	9	12	13	14	15	15
	Other Private Grant	5	7	8	8	8	9	8
	Other College Loan	2	4	4	4	4	4	4
Other	G.I. Benefits	1	1	1	1	1	1	2
	Parents G.I.	0	1	1	1	1	1	1
	S.S. Benefits	1	1	2	2	3	4	7
	Other Loans	3	4	5	5	5	5	4
	Other	3	3	3	3	3	3	3
Expression of Financial Concern		4	9	14	18	20	24	2

Source: Freshman Norms, 1982.

Table 2
Proportion of Students Aided by High School Grades

Source of Support		High School Grade Point Average A+/A	A-	B+	B	B-	C+	C
	Parental Assistance	74%	73%	71%	69%	68%	63%	58%
Parents, Self	Part-time Work	21	24	26	26	26	24	22
	Full-time Work	2	2	2	3	3	4	4
	Summer Savings	48	47	44	40	38	33	27
	Other Savings	23	22	20	18	17	15	13
	Spouse	1	1	1	2	2	2	3
Federal	Pell	22	23	24	24	22	24	24
	SEOG	6	6	6	5	5	5	5
	NDSL	8	8	7	6	5	5	5
	CWS	15	15	13	11	10	9	9
	GSL	21	21	23	22	20	19	18
State, Institutional Private	State Grant	25	20	16	12	10	10	9
	College Grant	27	19	12	8	7	6	6
	Other Pell Grant	19	12	8	5	4	4	3
	Other College Loan	3	3	4	4	3	3	3
Other	G.I. Benefits	0	0	1	1	1	2	3
	Parents G.I.	1	1	1	1	1	1	1
	S.S. Benefits	3	3	3	3	3	4	3
	Other Loans	3	4	4	4	4	4	4
	Other	5	4	3	3	3	3	4
Expression of Major Financial Concern		17	18	19	17	17	17	18

Source: Freshman Norms, 1982.

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TABLE 3.—SOURCES OF FUNDS BLACK, NON-BLACK (1982)

[Percent]

Sources of aid	Non-Black	Black
Parent aid/gift	69	56
Part-time work	26	17
Full-time work	3	4
Summer saving	41	22
Other saving	19	10
Spouse	2	2
Pell	21	50
SEOG	5	14
NDSL	6	10
CWS	11	20
GSL	21	21
State Sch./Grant	14	17
College Grant	11	14
Other Private Grant	7	6
Other College Loan	3	4
G.I. benefits	1	2
Parents G.I. benefits	1	2
Social security benefits	3	6
Other loans	4	5
Other	3	4
Major financial concern	17	30

Source: Freshman Norms, 1982.

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STATEMENT OF DR. JOHN B. LEE, DIRECTOR, DIVISION OF HUMAN RESOURCES, APPLIED SYSTEMS INSTITUTE

Dr. LEE. The purpose of what I am trying to do here is talk a little bit about college costs and some of the patterns that different kinds of students are using to meet those costs. I picked the various income groups as one of those ways of looking at students. Then I looked at high school grades because there has been a lot of talk lately about how to fund those students with extraordinary promise in academics and how they might fund their college. Then I looked at the question of race.

Race was one of the original propositions in the beginnings of the student aid programs, the equal opportunity and I think that to go back and touch on that base a little bit might prove valuable.

But first of all, let's take a look at chart number one, which is at the back of my testimony. What I have done here is look at the total federal outlays for all kinds of student financial assistance and this includes Veterans Administration and Social Security as well as the title IV programs.

The point that I am trying to make here is that when you look at this in 1982 dollars that overall the Federal effort in support of students has been declining since 1976; that was the peak year for the

Veterans' Administration and it has been declining ever since. You will also note that the two bar graphs indicate grants and self-help and you will see the preponderance of grant support which came out of those programs. You will also see the beginnings of an increase in the outlays for self-help in the latter years. The line at the top then represents the total for all the grants and self-help combined. Included in self-help I put all loans and work study funds.

So we see then a pattern of support that has changed over the last few years. If we look at chart No. 2, we are looking now just at the title IV programs in 1982 dollars and you see that it has increased over the decade and that it took a particularly sharp increase beginning in 1980. But I would ask you also to note that 1980 was the peak year for grant assistance and since that time the self-help assistance has started to predominate. So we see a shift then from the grant assistance as the dominant form of assistance to loan and work. Most of that, of course, has been through the guaranteed student loan program.

But you will also note that in the early years of student financial assistance and title IV, self-help has always been or was in the earlier years more predominate than grant assistance. So those are some of the larger trends. Even though the Department of Education, the title IV funds, have been increasing in terms of their appropriations and the available funds to students, in the overall picture, the Federal effort has been declining. I think looking at the context of finances and the total pool of funds that students are pulling upon maybe gives us a little better picture.

Now, if we move to the question of student financial assistance and what's been happening to that pattern of assistance over time, let me note that in 1974, 45 percent of the students—and I am talking about full-time students and the data I am using is based on freshmen only and they are going to have a little different pattern then than upperclassmen have in student financial assistance—generally freshmen report more grant assistance than upperclassmen so that they are going to be slightly different than some of the other numbers—45 percent of the full-time students received a grant or loan. The combination of the grants and loans they received covered 52 percent of their costs in college costs at that time. In 1982, 56 percent of the full-time students reported a grant or a loan, but it only covered for each recipient 42 percent of the cost. So, what we have been doing then is giving more students less money relative to their college costs. We have been spreading the subsidy over a larger part of the community. So even though we are giving more money out than we did in 1974, it is not buying each recipient quite as much coverage on his costs of attendance.

The second thing that we want to talk about is that the changes, both in policy and in inflation, which we faced over this period from 1974, has had relatively greater impact on lower income students. I think that has been mentioned by other of the witnesses. If you had had a maximum grant, a Pell grant, let's assume, in 1974 of $1,400, you would have to have a Pell of about $2,700 today to purchase the same amount of education.

The effect has been, of course, that the lowest income students have paid the highest price of this combined effect of policy and in-

flation. The implication would be that if you wanted to have the same sort of policy emphasis that you had in 1974, you would have a larger maximum Pell grant.

The obvious beneficiaries of this have been the newly eligible middle income students and you can see that increase in the guaranteed student loan program, and generally those students in the middle incomes were able to take advantage of that and move into the subsidies that were available through the loan programs. So I think that those are some of the major changes that have been taking place in terms of who is receiving assistance and how that pattern of assistance has been changing over the time.

If we look at table 1 in the testimony we have family income—these are for dependent students then that we are looking at and again, these are full-time freshmen—we have 20 different kinds of assistance down the side and the family income across the top and then the percentages in each one of the cells indicates the percentage of people receiving that aid. So obviously, someone could receive more than one form of assistance.

What we will note then, of course, across the top is that low-income students receive more assistance from Federal programs than higher income students. By design they are need-based and you would expect that.

If you look at the guaranteed student loan program, of course, you see a much stronger proportion of middle income students receiving assistance from that source.

You'll notice that parental support drops with income. Again, you would expect that in the period. This is for 1982, don't forget.

Part-time work is fairly stable across income groups. It doesn't make much difference what family income is, but part-time work seems to be a fairly constant factor. The very highest income tend to work a little less, but outside of that you see a fairly constant propensity to work.

The State, college and private sources are sensitive to income, but not as sensitive as the Federal dollars. You see them tending to the lower income populations. Overall then, lower income students are more dependent on income sources outside the family to support their college education.

Take a quick look in that other category, social security benefits, and I want you to note, because we are going to come back to it, that the very lowest income families were much more dependent on social security benefits than other categories. Remember that that program has now been cut out and those students are being phased out of that program.

Now, so that's a brief overview of how people are financing their college education by income.

Let's move to table 2, which is fundamentally the same program, but, instead of income, we are looking at high school grades across the top. So from A to C students at the end—there weren't enough D students going to college to warrant their inclusion; there were some, however—what we will note here is very interesting. At least it was interesting to me and I hope it is to you. First of all, parental assistance is greater for high school grade students. They are showing 74 percent of the parents were giving them direct support versus C students who got 58 percent.

Now, one would suggest and certainly the commonsenses that grades are correlated with income; the higher the income, the higher the high school grades. But please note the Pell grant receipt of those students by grade. You will notice that it's almost equal across. That would indicate that there is a fair number of low-income students who are receiving high grades in high school and that there really isn't such a tremendous relationship between income and high school grades as one might think. There certainly is a positive relationship, but there are poor and rich alike who are receiving those kinds of assistance.

We will also notice in the data that savings behavior—it is more likely that students will draw on savings with high high school grades than with low high school grades. That pattern then of family and self support is more sensitive to the grade point average in high school than it is to the family income. Now we are not talking about how much money they are saving or how much money the parents are contributing, but just the fact of whether they report that or not.

So, indeed, the Federal dollars are somewhat related. Now, in my estimation, one of the reasons that the Federal student aid dollars are related to grades is that high ability students, students with high high school grades, are more likely to go to a more expensive school. Now college costs tend to be higher because of their academic promise. So that is going to account for some of the differences in the Federal program that you see.

But the thing that i think is worth noting is that the State, institutional, and private grants are highly related to ability. High ability students, as indicated by their high school grades, are much more likely to report receiving funds from a State, institutional or private source of funding. That's a very strong relationship. You remember in the previous table that we saw that there was also a sensitivity in those programs to income. It would appear then that the State, institutional and private funds are focused both on students that have low income and have some academic promise, as it's indicated here by the grade point average in high school. You will notice again that the other benefits, which are relatively minor, are pretty much evenly distributed among that.

So there really are different patterns of financial assistance from all sources. If you look at people by their grade point average and if you look at people by their family income.

Let's take a look at the last chart, table No. 3, which then notes the same series of sources of assistance that students report and we are looking at nonblack and black. Now, let me indicate here for a moment that because of the sample characteristics I was not able, with a great deal of reliability to include information of other ethnic and racial groups. I think that's a lack in the data and certainly not due to a lack of interest in looking at those patterns for lots of other people.

What we note here—and by way of introduction—let me indicate that blacks still have—as a group, black students in college are significantly lower income. In my data, for example, 24 percent of all students under $10,000 in family income were black. Two and a half percent of those families over $50,000 were black. So you have a sort of a distribution towards low income. So we are looking at

the racial differences and we are also looking at some fairly severe income differences, given the kind of financial need that those students are looking at.

What we see is that black students are less likely to receive support from parent's, from part-time work, and from savings. They are more likely to receive support from Federal sources of aid.

Let me take a quick stop here. Guaranteed Student Loans is a very interesting kind of assistance. In 1978, black students were half as likely to utilize a GSL as white students. Now there is equity. The black students are borrowing as much from the guaranteed student loan program as white students. So in 4 years there has been a terrific increase, a doubling, in the borrowing of black college students compared just to a few years ago.

So that's been a significant sort of change in the pattern of funding over the last few years for black students. In other period, it's been a period when guaranteed student loan borrowing dropped a little bit overall because of the restrictions that were put on in terms of income.

Black students are slightly more likely to receive aid from State, institutional and private sources, but that's not a very strong kind of bias. Again, let me note that the social security assistance was very strongly biased towards recipients who are black students, again indicating that the social security funds were going to lower income students.

Well, what kind of conclusions do we reach looking at these patterns of funding? What sorts of concerns do we have? First of all, my concern in looking at the data that I have looked at is that the student who has most affected over the last few years has been the lowest income student. They have been affected by inflation, they have been affected by policy changes, including the reduction of social security and Veterans' Administration, which is outside the sphere of responsibility, but certainly has had a tremendous impact on low income students and has magnified the differences that will come about in the title IV programs.

The other thing that we are noting is that high ability students are receiving aid from state, institutional and private sources and that's not an insignificant amount of aid. There's lots of dollars in that; it's hard to estimate, but estimates that I have seen—and I have not done this research myself—indicate that there is $5.5 billion of aid in those sources. It might be worth looking at that more closely. But they really are looking at and will be able to fund the students with some academic promise, as indicated by their high school grades, according to my research, in that they are covering a lot of those costs for those students of that sort of promise. It makes it clear that the parents are making some sort of decision about which students they are going to support and how willingly they are going to support them based on their high school grades.

So I think as we look at this question of ability we really are looking at different patterns of financing for those students and parents, the students themselves and the States and institutions are providing more money for those students in general.

The last point that I guess I would like to make is that any changes that are made in student financial assistance programs are going to have a much greater effect on black students, low-

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income students than they are on the majority of the students in this country because of the tremendous dependence that those students have on these kinds of external funding sources.

I thank you very much for your time. I would be happy to answer any questions that may have been raised here.

Mr. SIMON. First, just two very technical questions. On your table 2, Dr. Lee, you have "Other Pell Grants." What do you mean by that?

Dr. LEE. Where?

Mr. SIMON. You have "source of support" and then you have "Federal," you have "Pell" and so forth, and "State institutions."

Dr. LEE. It should read just "Other grants." The Pell should be excluded from that.

Mr. SIMON. OK.

Dr. Stampen, what kind of a base did you have? Is this all of the students at the——

Dr. STAMPEN. It's a representative sample of all of the undergraduate students.

Mr. SIMON. And when you say, "a representative sample," what are we——

Dr. STAMPEN. It's 700 randomly selected students responding to a telephone interview.

Mr. SIMON. All right.

Now the first question is kind of a basic question. Are we maintaining access to higher education for students from low-income families?

Dr. LEE. Other work that I have done would indicate to me that, no, we are not, that the lowest income students—indeed, if you look at their college going rates, participation rates, which I have done in some other work and which will looked at a little later by this subcommittee, it would indicate that there has been some change amongst those with the most need, in general, and that the cost and the inflation and the policy have reduced their access.

Dr. STAMPEN. I am oriented to data that I feel I can rely on, that we have developed in our student aid recipient data base and, unfortunately, it's not longitudinal. I think, as John mentioned, there is plenty of evidence to show that in constant dollars, aid for students peaked in about 1975 and has been sloping down since. Then in the last few years tuitions have increased faster than inflation.

Well, again, falling back on just our local Madison survey, there are a number of students—a percentage but not a high percentage—who say that they have postponed college because they could not afford to attend or they have gone part time because they cannot afford to attend full time. But, as I say—the simplest questions are the most difficult to answer accurately.

Dr. PHILLIPS. My reaction is, Mr. Chairman, that that question reminds me very much of a wonderful story that a previous chairman of this subcommittee told when I was testifying before the committee under a different condition of servitude several years ago, and I was advocating the reduction of aid programs to meet certain criteria established by an administration for which I then served. He said, "You know, Dr. Phillips, this sounds a little bit about the story of the lifeguard who spent all day running around

bringing everybody a little closer to shore, but everybody drowned anyway."

When I hear John Lee's testimony about more students getting less money, I think that's kind of what we are doing. We are putting a lot of money in and I don't want to minimize the significance of the funds that are being expended and the taxpayer costs that are involved here. But the fact of the matter is, we are falling further and further short of any kind of reasonable manageability of financial burden, particularly, if you are interested in access to independent colleges as well as the lowest priced community colleges.

Mr. SIMON. If I could follow up with your testimony on that question. You say that we found "a dramatic decline in the number of undergraduate aid recipients from families with annual incomes in the range between $6,000 and $24,000. Indeed from 1979 to 1980 to 1981-82 independent higher education experienced a 39-percent decrease of student aid recipients from that family income range." I am underscoring my use of the word "recipients." What you do not say, but what you imply is that, in fact, these people are not going to your schools. Is my assumption correct? Do you follow the distinction I am making?

Dr. PHILLIPS. Oh, yes. The student aid recipient data bank, which, in order to get counted in there, you have to apply for student aid and you have to be a recipient of some kind of assistance. What happened was that in the two surveys between 1979-80 and 1981-82 the number of people that received aid—there was an enormous shifting out of that broad income range.

The fact of the matter is that we also suffered an overall enrollment decline and we suspect that the correlation between those who lost student aid and those who declined to come to our colleges is very strong—like 100 percent. I think that's really the final issue that we are going to ask you to think about in the next few months as you prepare for reauthorization.

Incidentally, I do have some tables that I can submit to the members of the committee right now that sort of outline in more clear detail what I have stated generally in my testimony so you can see the answer to that question.

See, the student aid recipient data bank is 106,000 hard copy student records from a sample of colleges and universities all over the country. It's a 1 in 10 sample of everybody that applies for student aid at those colleges. So we can project that on a national basis. What it really comes down to is that we had very large total numbers in these tables that show that literally 30,000 or 40,000 students simply dropped out of the system because they couldn't get aid.

But if you would like to have those tables, I would be glad to submit them.

[Information referred to above follows:]

PERCENTAGE DISTRIBUTION OF UNDERGRADUATE AID RECIPIENTS BY PARENTAL ADJUSTED GROSS INCOME

[Enrollments of 500 or more]

Parental adjusted gross income	Estimated number[1] of recipients		Percent of total recipients		Percent of total undergraduate headcount enrollment	
	1979–80	1981–82	1979–80	1981–82	1979–80	1981–82
Dependent:						
Under $6,000	79,000	78,000	7.6	7.8	4.5	4.3
$6,000 to $12,000	152,000	84,000	14.5	8.4	8.6	4.7
$12,000 to $18,000	163,000	95,000	15.5	9.5	9.2	5.3
$18,000 to $24,000	178,000	122,000	16.9	12.2	10.0	6.8
$24,000 to $30,000	135,000	136,000	12.9	13.6	7.7	7.6
$30,000 to $36,000	66,000	98,000	6.2	9.8	3.7	5.5
Over $36,000	50,000	128,000	4.8	12.8	2.9	7.1
Income unknown	79,000	135,000	7.6	13.5	4.5	7.5
Total dependent recipients	901,000	875,000	86.0	87.6	51.1	48.8
Independent, all incomes	147,000	124,000	14.0	12.4	8.3	6.9
Total undergraduate recipients	1,048,000	999,000	100.0	100.0	59.4	55.7

[1] Numbers may not total due to rounding.

DEPENDENT UNDERGRADUATE AID RECIPIENTS: REPORTED PARENTAL INCOMES (COMBINED)

[In percent]

	Fall 1979	Fall 1981
Student characteristics:		
Sex:		
Male	47.8	45.4
Female	52.1	54.5
Racial/ethnic characteristics:		
Black	12.8	7.1
Hispanic	5.1	3.7
Asian/Pacific Islander	4.0	1.2
American/Alaskan Indian	.4	.2
White	69.5	74.9
Unreported	.9	12.9
Academic level:		
Freshman	32.4	32.3
Sophomore	26.8	28.4
Junior	21.9	20.6
Senior	19.9	18.1
5th year	.9	.6
Average age	19.3	19.8
Registration status:		
Full time	98.6	97.2
Part time	1.3	.7
Other	.1	2.1
Local residence:		
On campus	71.4	69.9
Off campus (in community)	8.0	9.2
At family home	20.6	20.9

RECIPIENTS RECEIVING AID BY MAJOR SOURCE OF FUNDS

Source of Funds	Percent of Recipients receiving aid		Mean dollar amounts per recipient	
	1979–80	1981–82	1979–80	1981–82
Pell Grant (BEOG)	66.3	52.6	$974	$940
SEOG	31.3	27.9	694	744
State (need-based)	47.2	47.7	1,344	1,210
Institutional (need-based)	45.2	54.5	1,196	1,424
CW-S (Federal, State institutional, off campus)	48.3	58.1	811	904
NDSL	43.0	34.2	801	923
FISL/GSL	23.5	3.3	1,787	2,264

TRENDS IN THE PELL GRANT PROGRAM AND ENROLLMENTS AT INDEPENDENT COLLEGES AND UNIVERSITIES FROM 1979–80 TO 1981–82

	1979–80	1980–81	1981–82
Pell dollars	$614,044,860	$569,868,006	$506,438,227
Recipients	569,560	551,309	513,236
Undergraduates	1,764,000	1,818,000	1,794,000
Average award	$1,078	$1,034	$987
Percent of all undergraduates with Pell grants	32.00	30.00	29.00
	1979–80 to 1980–81 (1 year)	1980–81 to 1981–82 (1 year)	1979–80 to 1981–82 (2 years)
Change in total Pell dollars	−$44,176,855	−$63,429,779	−$107,606,633
Percent change in Pell dollars	−7.20	−11.10	−17.50
Change in number of recipients	−18,250	−38,073	−56,324
Percent change in number of recipients	−3.20	−6.90	−9.90
Change in undergraduate enrollment	54,000	−24,000	30,000
Percent change in undergraduate enrollment	3.10	−1.30	1.70

ALL DEPENDENT UNDERGRADUATE AID RECIPIENTS: 1979–80 and 1981–82

	1979–80		1981–82	
	Average dollar amounts	Percent of total expenses	Average dollar amounts	Percent of total expenses
Student expenses:				
A. Tuition and fees	$3,417	58.9	$4,174	58.0
B. Room and board	1,553	26.8	1,938	26.9
C. All other budgeted expenses	830	14.3	1,099	15.2
Total student expenses	5,800	100.0	7,211	100.0
Grants/parental contributions:				
Expected parental contributions	1,463	25.2	1,540	21.4
Need-based grants:				
Pell grants (BEOG)	668	11.5	494	6.9
Supplemental grants (SEOG)	208	3.6	207	2.9
State grants (including SSIG)	610	10.5	574	8.0
Institutional grants	564	9.7	777	10.8
Total need-based grants	2,050	35.3	2,053	28.5
Subtotal	3,513	60.6	3,592	49.9

ALL DEPENDENT UNDERGRADUATE AID RECIPIENTS: 1979–80 and 1981–82—Continued

	1979–80		1981–82	
	Average dollar amounts	Percent of total expenses	Average dollar amounts	Percent of total expenses
Self-help:				
Student employment:				
College work-study (CW-S)	318	5.5	402	5.6
State/institutional work programs	61	1.0	123	1.7
Total student employment	379	6.5	525	7.3
Student loans:				
National direct student loans (NDSL)	334	5.8	316	4.4
Guaranteed student loans (FISL/GSL)	354	6.1	1,207	16.8
Institutional loans	15	0.2	20	.2
Total student loans	703	12.1	1,543	21.4
Expected student contributions	720	12.4	912	12.7
Subtotal	1,802	31.1	2,980	41.4
Other aid: Aid from all other sources [1]	1,381	6.6	604	8.4
Total student resources	5,698	98.9	7,177	99.7
Balance (total resources—total expenses)	104	1.8	34	.4

[1] Other aid includes grants, loans and work from other federal, state, institutional and private sources.

Mr. SIMON. Yes, they will be included in the record.

Dr. PHILLIPS. I am sorry that I didn't submit them in advance, but they are available.

Mr. SIMON. If I may follow through, what we are talking about is, of those who do not receive assistance in your schools, we are talking about some who may drop out of college entirely and we are talking about an increasing economic segregation of American higher education.

Dr. PHILLIPS. No, as a matter of fact, if you put this into the perspective, say, of the last 10 years, I was interested, in preparing for this panel discussion this morning, in the mid-1970's—1976, 1977, 1978—there was a good deal of talk, you may recall, about, "Gee, the middle income squeeze. If you are poor, you can get a large amount of aid and go to a public college or even to private college. If you are very rich, of course, you can do that, but there's this terrible segregation that is going on."

So our response to that was the Middle Income Student Assistance Act of 1978, which was a very clear indication of a new dimension of Federal policy, which was to deepen and widen the amounts of money available to low income and make some money available to middle income to keep that segregation from occurring.

But now what's happened after 5 years of fairly steady erosion—you know, the first year after MISA was 1979–80, which is the first year I reported in my testimony, and you have a steady erosion from 1979–80 to 1981–82 and I am sure we are going to find comparable further erosion for 1983–84, and you are now in danger of having a resegregation along the lines that we were in danger of having in the mid-1970's before MISAA.

Mr. SIMON. Thank you. I am going to defer my further questions to my colleague's questions.

Before I do that, our staff director and counsel has pointed out that in the audience is Dr. Clinton Marsh, the president of Knoxville College and that happens to be the school that Bud Blakey attended. For that reason, Dr. Marsh, we are pleased to have you here.

Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. Really, I guess I want to follow up to a certain degree with your line of questioning of Dr. Phillips. On page 2, you indicate that many of the needy students who sought to attend independent colleges and universities suffered so greatly they were forced to relinquish their basic educational aspirations. Did they not go to school or did they go to public institutions? Do you have any evidence or is that impossible to obtain?

Dr. PHILLIPS. Well, we know that they didn't go to our schools. The reason I didn't say for sure whether they dropped out is that enrollment in the public sector held about steady last year. If I remember correctly, it averaged out about an "even-Steven" situation and so our suspicion is that significant numbers of them were, in effect, guided or forced into an alternate educational study program that was not the one that they were either enrolled in previously or that they hoped to participate in because of the competitive advantage that accrues to public programs by reason of a tax subsidy at the State and local level.

Mr. GUNDERSON. Thank you.

Dr. PHILLIPS. Now, how many and what proportion are simply doing that temporarily until they can recover the resources necessary to go back to an independent college, how many have now entered into the world of work and are therefore swelling the ranks of the unemployed or whatever, it's just hard for us to track everybody.

We have tried to do studies in individual cases. I know there was one college in the Midwest that suffered a 16-percent drop in its first-time, full-time enrollment. They tried to track these students who had applied and normally had been—and under normal circumstances would have accepted acceptance, if you see what I mean, and most of them said they were going down the street to the community college that was nearby.

Mr. GUNDERSON. Both you and Dr. Lee brought up some statistics about the percentage of cost provided for by the students. You indicate that the contribution by the student averaged more than 40 percent of total educational expense. I assume that's for private schools.

I think, Dr. Lee, you had that students today have 52 percent of their costs from assistance, which would mean that they have 48 percent on the other side.

Based on all of your studies is there any proper or reasonable level of assistance that determines when a student will attend or will not attend that affects attendance at that school. I mean, do we have to provide 50 percent, do we have to provide 60 percent of the assistance? What level of assistance percentage-wise do we have to provide before it affects enrollment?

Dr. PHILLIPS. Well, I think it varies tremendously by income level. I mean, you know, people in the higher income levels have better access to loans. They can rely to a larger extent on self-help, including family contributions, student contributions, loans and work without adversely affecting their educational promise because, as John Lee pointed out, they are starting with a little firmer academic base normally, you know, statistically.

Where you get into the problem is that, you know, for the lowest income student coming from what we used to call in the Johnson years, "a disadvantaged background," for heaven's sake, of 20 percent self-help could be too much in that kind of a circumstance.

One thing I think we should remember is that there is a statement in Federal law in the Higher Education Act adopted in 1980 that the whole purpose of these student aid programs is to hold the percentage of self-help down to 25 percent. There is a provision right in the Higher Education Act of 1965, as amended in 1980, that says, "It is the purpose of the Pell grant and the SEOG and SSIG and parental contributions to make up 75 percent of the total," so that you are limiting the student to a maximum self-help, on average, of 25 percent from work and loans and their own student savings. The thing that is distressing is here is a statement of basic Federal policy which you only put into place 3 years ago, and we have never come close to that and, as a matter of fact, we are going backward. The percentage of self-help is increasing every year under current policy.

Mr. GUNDERSON. Dr. Lee.

Dr. LEE. Certainly, the research on this topic has been carried out and the result sort of suggests that it is a complicated problem. Unfortunately, I am not an economist and can only determine a little bit about what some other people have done. First of all, the cost of college is a complicated sort of idea. Obviously, there are the direct costs to the student—whatever the tuition and the cost of board and room—there's the foregone income—for example, in a period of high unemployment some people hypothesize that someone who otherwise would be in the job market is more likely to enroll in school, especially a public college. So the cost is not just the direct most, but the income that you give up in order to go.

The third part of the cost is, how much money are you going to make or what are going to be your returns to education in the long run? Is it a sound economic decision? If you go to college, you plan, you are going to have a certain amount of income and a certain amount of benefits in life versus not going to college. Some people have been arguing that those costs have been closing, that there is less return to education now than there was 15 or 20 years ago or 30 years ago.

So when you are talking about cost you are really talking about a complicated set of interrelated sort of judgments that a person is meeting. Student financial aid affects one of those costs and that's the direct cost. Do I have enough money to go right now?

Now what we know about that direct cost sort of idea is that low-income people are much more sensitive to the cost of education, as one would assume without a lot of expensive studies than are higher income folks. Those people that have closed the door, that is, those who have said, "I am not interested in college," student

aid is not going to make much difference at all. If you don't want to buy a product, a price reduction in that product isn't going to necessarily convince you to buy or see the value of?

So there is a middle kind of range of student that sort of is asking himself whether he should or shouldn't, you know that kind of indecisive, on the margin, that student aid seems to make the most difference on.

There's another point. If the price is going to be reduced by student financial assistance, it seems clear from some of the things that are starting to happen now that that student needs to be able to count on that money 3 and 4 years in advance of making that decision because they have to make some academic decisions. We saw the relationship between high school effort and college and the kind of assistance and the kind of financial package they had.

If a student who is very poor knows that the parents can't come across with that kind of money, starts to make some academic decisions in high school well before that senior year in college, that if all of a sudden you put $3,000 or $4,000 or $5,000 on the table, it may well be too late because that kid has made a decision when he was 13, 14, 15 years old, which will make it more difficult for them to then step across that invisible boundary into college when they are 18 or 19.

So maybe some of the effort that we ought to be focusing on is this information and how do we let people know early on that they can count on this assistance.

Mr. GUNDERSON. OK. Thank you, Mr. Chairman.

Mr. SIMON. Mr. Harrison.

Mr. HARRISON. Thank you, Mr. Chairman. I would like to congratulate the panel. I think you have done some remarkable research here and certainly illuminated me. I would like to pursue one avenue, that came from my limited experience as a part-time teacher in a SPLAC over the last 13 years.

Perhaps what I heard from Dr. Lee means that on the basis of your research, my impression is not true and I hope that is the case. It was my experience that kids from lower income families frequently came to college less well prepared for the work because they had been exposed to a high school environment or a learning environment which didn't prepare them as well for college. They were also the ones who were most dependent on large part-time or full-time employment, which decreased the amount of time they had to do what you go to college for, which is schoolwork. This had an impact on the quality of education, their access to graduate school and all the rest of it. Is that borne out by your research?

Dr. LEE. Certainly, the research indicates that full-time employment while someone is in school is negatively related to almost everything, that that sort of time commitment to work is negatively related to their success in school. Part-time work—I didn't look at part-time work in terms of how successful they were in college. All I am doing is looking at people in one time point and saying that they tend to work pretty much regardless of income or ability. There have been some studies that have looked at the effect of work on retention and, as I recall those results, there isn't any real relationship. If anything, students who work tend to do a little better in terms of staying in school. But I have never seen any evi-

dence that would indicate that those students find that a problem and are dropping out in greater proportion.

Dr. PHILLIPS. I might say parenthetically that I hope you had a good experience teaching at King's College and since it's an NAICU member institution, we want you to feel kindly toward us.

I think really you are touching on one of the great flaws of current rhetoric and discussion. You know, last year—the administration has expressed some mystification as to why the higher education community didn't jump at the opportunity to have a $300 million increase in work study. Now, aside from the fact that they were proposing to deduct that from other areas of the budget, the plain truth of the matter is that we are reaching a saturation point on the cost-effectiveness of work. If you are really interested in excellence in education, and successful pursuit of college education, for heaven's sake, most of the kids in independent colleges are working an average of 18, 19 hours a week already. What in the world is going to be gained by having them work full time and neglect their studies and we just end up with mass-produced mediocrity all over again. So I think you are right on the button when you suggest that we need to not—and we need to be particularly careful about overburdening low income students who are working, perhaps, with less advantaged academic backgrounds when they come to colleges, whatever college.

Dr. STAMPEN. Approximately a quarter of the students in this resource and expenditure survey say that work was hampering their studies. So that's a number on that subject.

Mr. HARRISON. Thank you very much. Dr. Phillips, you have been checking up on me, I think. I just want to associate myself with your remarks. I believe there is no particular advantage in just being able to say as a nation, "We have so many million kids in school." The question is, What are they learning in school? And if we then require them to work to pay the bill to get there and then don't get that much out of it, what have we, as a country gained?

Dr. PHILLIPS. That's exactly right.

Mr. HARRISON. Thank you very much.

Thank you, Mr. Chairman.

Mr. SIMON. Mr. Packard.

Mr. PACKARD. Thank you, Mr. Chairman.

Carrying out Mr. Harrison's thought a little bit further, have any of your studies dealt with the results after they have left school to compare those who have received a considerable amount of assistance, those who have worked part-time, and those who have supported themselves through school? Have you seen any difference in their performance after they have left school, after they have graduated and gone out into the marketplace?

Dr. LEE. I have nothing on that.

Mr. PACKARD. No research to determine if there is a different performance level from one group to another in terms of——

Dr. PHILLIPS. There hasn't been the kind of systematic, I guess what you would call linear study that tracks graduates through the point of graduation through 10 years and their income and employment history and all that sort of thing, although some studies are

underway to try to catch up with those issues and they are matters of deep concern to a number of State as well as Federal legislators.

But, you know, I hope somewhere along the line we are going to develop a little bit of care and caution with how we throw around these words "excellence" and "quality," and that we not start imposing a kind of grim expectation that the only value of a college education is if you can immediately step into a high income job and you can keep that job and so on.

It seems to me that there are two things that need to be said in response to your inquiry. One is the concept of quality as value added, that you have to take students where you find them out of high school, whether they are coming from California or Minnesota or New York or Pennsylvania or wherever, and whatever their background is.

The purpose of college is to add value, to get them ready for some kind of a life that's productive and successful. I am very much concerned that we could start to say, "Well, you know, everybody has got to meet the same margin of excellence, everybody has got to meet the same qualitative standards, that the only purpose of these programs is to make sure that people do A, B, and C according to some kind of sort of tested standard.

It does seem to me that we also have to be exceedingly careful about this business of saying, "Well, a college degree has got to translate into a job in order to be of value." It seems to me that if we haven't learned anything else in the last few years, we surely should be able to see the pace of technology and certainly coming from your State, you have seen the effects of technology, in terms of outmoding this kind of employment and suggesting whole new areas of employment. What we need more than ever is supple, well-trained, thoughtful minds and the capacity to reach out to new opportunities as they develop, and not to insist that a college degree has to translate into an immediate economic return to the individual.

If we now turn our attentions away from the broad, general education, which we all need to survive in an increasingly technical and sophisticated world and suggest to people now that we have got to measure their out of college success in terms of, did they immediately get employment, did they immediately get income or did they get a job in the field for which they were prepared and so on, I think we are all really going to be hurting the fundamental concepts of equal opportunity about which these programs really should be mainly concerned.

Mr. PACKARD. Of course, all of that needs to be balanced with a concept of, what we are teaching them. Sometime we help our children as parents in the worst way. We try to help them, but in the process we actually prevent them from learning some of the deeper and more important concepts in terms of performance and commitment I wondered if there were any studies that would evaluate whether this process of helping them to get an education has its down sides as well as its positive sides or whether they come out somewhat equal in terms of commitment, dedication, job performance, and so forth. Apparently, there is no research that has been done on that.

Dr. LEE. The National Center for Education Statistics does have data sets which are longitudinal and would allow one to, in retrospect, look at what kind of assistance people got, starting in 1972, and then finding out what sort of jobs and what sort of family situations and what they were doing later on, and you could look at student aid as one of the factors that might be done on that. But, as far as I know, no one has done such a study. But it is very much a doable study.

Dr. STAMPEN. There's a study, "High School and Beyond, 1980."

Just one comment, helping to put student aid in perspective and I cite a recent book by Alexander Astin entitled, "Minorities in American Higher Education: Recent Trends." It's a 1980 book with Joe C. Bass. One of the big questions about student aid beyond the distribution system, how effectively it is distributed, is: Has it made a difference? Has it brought new people into higher education?

Astin's evidence maybe helps put this into perspective. If you took 100 whites, blacks, Chicanos, Puerto Ricans, and American Indians and then found that the percent graduating from high school in 1978, you would have 83 percent of whites graduating, 72 of blacks, 55 percent of Chicanos, Puerto Ricans, and American Indians. Percentages entering college: 38 percent of the whites would enter college; 29 percent of the blacks; 22 percent of the Chicanos; 25 percent of the Puerto Ricans; and 17 percent of the American Indians.

Percent graduating from college: 23 percent of the whites; 12 percent of the blacks; 7 percent of the Chicanos; 7 percent of the Puerto Ricans; and 6 percent of the American Indians.

Now this is 1978. This is just after the student aid programs really started rolling. Now, Astin's estimate about this—I mean, that looks pretty bleak, but Astin's estimate about this is that minority college freshmen has increased between 50 and 100 percent between the midsixties and the midseventies. So in perspective there is a big impact, but no means is the job completed. This is sort of the level of focus for many of the questions about student aid.

Mr. PACKARD. Let me ask one more question in that same general theme, only instead of projecting beyond the graduation, let me pull it back into the college and university experience.

I would assume you would have some statistics on those who enter school receiving various degrees of help, compared to those who don't receive help. What do the statistics show in terms of completion, graduation and entry into a field from the university in comparison to the dropout ratios?

Dr. LEE. From the things that I have looked at, when you control for family income and background and other variables which affect completion, there is really not that much difference between the two aided and unaided groups. It's slightly to the advantage of those receiving student financial assistance in terms of completion of units and years.

But there are lots of other factors which influence that besides aid.

Mr. PACKARD. I understand that.

Dr. PHILLIPS. There's one other comment that might be relevant to answering your question and that is that over the years, consist-

ently, the completion rates for low income and especially minority students have been significantly higher in independent colleges than in public colleges.

I don't know whether that relates to your concern about values and commitments and so on or not. I mean, that is sort of hard to pin down. But that's been consistently true for, I guess, the last 10 years, in the studies that have been done by the American Council on Education. But, again, that's between independent and public and you are dealing with the same students—recipients of student aid, minorities, and it doesn't address the issue of between those two groups.

Mr. PACKARD. Thank you, Mr. Chairman.

Mr. SIMON. Thank you.

Mr. Penny.

Mr. PENNY. Mr. Chairman, in each instance the panelists have touched on the student loan programs. Dr. Phillips mentioned on page 2 of his testimony that, "Independent college students rely more heavily on Guaranteed Student Loans and the concomitant debt burden which that involves. The number of independent college and university students participating in the GSL programs has doubled between 1979-80 and 1981-82 and the average GSL borrowing climbed to $2,264." Dr. Stampen said, "As incomes rise in the forms of loan—loans are increasingly relied on." And in Dr. Lee's testimony be mentioned that, "An increasing proportion of the Department's student aid resources are now directed toward aid programs where student assume an obligation in return for that aid, either earning those dollars through work or repaying through loans."

I would like a little more detailed discussion from each of the panelists, if they would, on the adequacy of the guaranteed student loan program. I know that that question can be far reaching because you can talk about access to various income categories or sufficiency of the capital for those loans per year, debt load, interest rates, repayments, procedures, the whole thing. But it seems to me that, perhaps, each of you have a bit of a different perspective on the adequacy of those GSL's and I would like to hear from you on that.

Dr. PHILLIPS. Well, if you want to me start off, going back to the basic analysis I provided for you in the testimony about the uncovered costs, the costs that are not covered by a Pell grant, having increased from $3,500 to $7,100, while the maximum guaranteed student loan has stayed constant at $2,500, you can quickly and easily see that the business of access to capital is a crucial issue for independent higher education.

The beginnings of the parent loan program have helped to offset the limitations under GSL borrowing, but, you know, now we are starting to run into inadvertent consequences of other governmental action here. I understand that last night the Ways and Means Committee passed out a tax bill which will put a state cap on tax-exempt bonds and within the cap are student loan tax-exempt bonds. So the effort to supplement the GSL program, as, for example, Mr. Chairman, in the State of Illinois and, I believe, also in the State of Minnesota, will suddenly be hammered by a federally imposed state cap in which student loan bond authorities will have to

compete with other tax-exempt bond authorities within a fixed limit in order to get funding for student loans. So we are kind of getting hit from all sides here.

The cost is going up at a rapid rate. The unfunded cost is going up, as I said, dramatically, yet we are stuck with limitations on both the availability of existing loans and the development of alternate or supplemental loan programs which might address the problem.

So I think it's another dimension which you are quite right in calling to the attention of the full committee of an increasingly serious set of problems, particularly for those who are trying to finance $9,000 and $10,000 costs at an independent college.

Mr. PENNY. Dr. Stampen.

Dr. STAMPEN. Yes. Well, in the results of our public higher education student aid study, which has a basic sample of 12,000 student records and is designed to project onto total student aid recipients in public higher education. Equal amounts of aid are in the form of grants and loans, and that's sort of the basic profile of student aid in public higher education.

Over the last couple of years I have been on a task force for the University of Wisconsin system where we have been looking at very recent developments and the one concern in that State is that loan part is growing a lot faster than the grant part. The reason for concern—well, there are several bases for it, but one of them is vulnerability—vulnerability in terms of the nature of the GSL program itself. At the moment there are considerable incentives for banks to continue lending; there are not a lot of other borrowers. That could turn around rather quickly. As the economy recovers, there could be a lot of other people competing for the banks money and the situation could change rather quickly.

Also, of course, there is a little concern about a trend where aid comes increasingly in the form of loans. One analogy from the past in terms of Federal support for educational programs would be the facilities programs of the sixties. It started in the form of grants and then they turned into loans and then they phased out on interest subsidies for loans.

The GSL program is a terribly interesting development. It's frustrating to the Federal Government, no doubt, because they are spending an awful lot on interest subsidies and things like that. You know, there are statistics like it costs 60 cents to lend a dollar, you know, and float it around.

On the positive side, though, according to Dallas Martin, a figure I got from him—he's the head of the Student Financial Aid Officers Association—he points out that for every Federal dollar, every Federal dollar draws 10 private dollars and that's where the bulk of the GSL money comes from.

So, one thing I would just target for concern is what happens if other people start putting pressure on—start coming forward with more attractive offers to borrow from banks, what happens to student access to that kind of capital?

Dr. LEE. I have got a lot of thoughts about GSL as I guess everyone does, but let's kind of put it into perspective by suggesting first of all that the policy premise of eligibility is that somehow there is some financial need, that the family has some sort of need and

they are eligible for the subsidy. Obviously, if the kid is a freshman in college and borrows $1,000 and there is a 10-percent subsidy, which is conservative right now, that means that by the time the kid finishes that the Government has already paid $400 toward that person's loan; that's the subsidy to that person as opposed to the market rates at 10 percent. So we really have then at that point a choice. Is it better to give the kid $1,000 loan or a $400 grant? That's the kind of look that you could make in a tradeoff.

Now, who should not take loans? I don't think risky students ought to take loans. What I find in a lot of the work is that risky students are often times risky financially and they are risky educationally, as some of the comments today have indicated. That kid is not going to get the same sort of return to education. They may drop out of college perhaps or perhaps they will not complete the program that they started. So, now they have taken on this liability. On the assumption that they were going to improve their income flow, and they made an investment in themselves by taking a loan, which, indeed, is, in many instances, a wise idea. But if that's a risk and you don't complete that program, your income flow is not going to be much different and you are still going to be saddled with that debt to pay off.

So I don't think loans are a good idea for low income students. I would really like to see us make that money available to them in grants to those educationally risky students who are not too sure if they are going to make it or not, but they are going to give it a try. Now some of them are going to make it and some of them aren't. I would rather put the public subsidy in the form of the grant and not a loan.

Now for the middle income student who is going to John Phillip's college over here——

Dr. PHILLIPS. Now, now, now, let's not be perjorative.

Dr. LEE. Not perjoratively. But those students who are facing high costs, whose family income is stable perhaps, but certainly not going to be adequate to meet the $10,000 or $15,000, in some instances now, that some of the more expensive schools are costing, or even a $4,000 or $5,000 public college. Now the loan makes a lot of sense for that student who is not educationally risky and who has a good chance for completion.

But we also have to think a lot about what we are doing. We are saying that you get the loan on the basis of the need of your family, but their need is. So what we are doing is we are changing what traditionally in this country has been that the current working population, either through their personal commitment or through the tax system are going to subsidize the cost of students currently in college and if we keep moving and this GSL becomes as massive a program as it promises, we are really shifting that basic kind of underlying premise, and we are saying, "No, the current working community is not liable for the cost of education, whether you do it through the tax system or through your personal income. We are going to put it off into the future. We are going to make the future generation pay for their own education." I think that just at a very fundamental level that that really is a basic shift in kind of how we think about education and how we think

about families and how we think about who is responsible for whom in this society.

So I guess where I really come out of that is to say, yes, GSL is a good addition, a way to help make the last piece that you have to have to get to the school that you want to go to that makes sense to you educationally. But I don't think it should be the cornerstone of the student aid policy program that we have. I think it ought to play a different role and I think the rate at which we have been moving in the last 3 years, it is rapidly becoming the central piece in the student financial aid program and I think there are some real grave consequences if we continue in that direction.

Dr. PHILLIPS. If I could just come back and underscore the things that Jay and John have both said.

First of all, I want to point out that there are a lot of middle income students at Winona State and the University of Minnesota——

Dr. LEE. Sure. Absolutely.

Dr. PHILLIPS [continuing.] And we are not the only providers to middle income. But look, to try to summarize in a way that might be helpful to the reauthorization process, I really think the point that these gentlemen have raised about a very, very careful and comprehensive, paired comparison as to the total, both financial and social costs of grants versus loans, is as high a priority item as I could urge you to undertake.

It seems to me that you have got three central reasons as to why the loan programs need to be reappraised in terms of an alternate to grant aid. One is the cost to the Government. My hunch is if you really sit down and do it, it's not 60 cents on the dollar, it's higher. You may end up finding when you get all done with the collection costs and everything else, it costs the Government more money in the long run to loan a dollar than it does to give it away.

Second, I think the point that has been made about the accumulating debt burden—one thing that we haven't talked about this morning is graduate education. I can remember that not that many years ago people talked about a negative dowry of $10,000 when you go and get married. Well, you know, you don't get married now; you have to sign a pre-marital agreement to cover that $30,000 of loans, if you have the misfortune to go to a high-cost graduate school. The debt burden is getting to be a crushing kind of disincentive to undertake education and a very difficult thing to handle in the world of work.

Finally, the most important point that Jay made I think is really something that we all need to catch up with. I have serious reservations and doubts about the continuing availability of capital to support the GSL program, if it continues to expand at the rate that it is now going.

I think that if you get Ed Fox up here he will tell you that it's going to be hard to keep up with the capital requirements of that program, if it keeps going at the current rate.

So for all three reasons, it seems to me that that's as high a priority question as you could address in these hearings.

Mr. PENNY. Thank you.

Thank you, Mr. Chairman.

Mr. SIMON. Mr. Owens.

Mr. OWENS. I want to join with my colleagues in congratulating you in doing a very thorough job in analyzing and dissecting the student aid question.

I have two questions. One is do you have any—it might be here and I haven't seen it—do you have any statistics, any studies, which deal with the percentage of family income invested in college education—the poor family, for instance, and the strain on them in terms of the percentage of their income that is invested in making that small contribution, however small the contribution might be—a $500 parent contribution from a family with a $12,000 income and two or three children to support is quite a burden for that family to bear. You might say, "Well, that's a question for social workers and family counselors, but not educators." However, I think it has a direct bearing on the question of the number of low-income students, and certainly black students, who drop out of college before they complete. It's not always a matter of their inability to deal with the situation in terms of academic achievement. It's often a matter of the strain on the family is too great and they can't—they don't want to do it any further.

It also is a question that becomes important in States like New York and other places where the question of independent students and aid which flows to independent students being so much greater and more expensive for the State. There was a situation 2 or 3 years ago in New York State where any student that declared themselves independent was sort of looked upon as a suspected criminal. You know, you are trying to escape—your family is trying to escape from meeting their responsibilities. And yet, in a family where the strain is considerable—you know, they put forth the effort but the strain is so great that it would probably be wise in many cases to encourage students to become independent or declare themselves independent.

Is there any data or any observations that you have in that area?

Dr. LEE. A couple of remarks. To your first question, when we looked at the effects of inflation on family purchasing power in this country over the last few years, indeed, overall, average income has dropped, so we are less wealthy as a country now than we were a few years ago, even though we have more dollars in our pocket.

The effects of that inflation were harsher for the lower income community than the higher income community. The higher income community can hedge itself against inflation more easily than those who are living pretty much out of pocket. The family purchasing power for the lowest income people in this country is lower now than it was 5, 6, 7 years ago.

So when they go to purchase education for their children, they, indeed, have less money to draw on now than they did previously. Student aid has not taken that kind of thing into consideration, I don't think.

So, yes, low income students, if you look at the cash out of pocket, the money you have to come up with, our research indicates that the proportion that you are talking about that low-income families have had to pay has increased over the last few years, while the proportion that middle- and upper-income families, who have been taking advantage of the guaranteed student loan program more rapidly has, in fact, declined. We see that shift in

how much money the family has to come up with directly has increased for the very lowest income people. That's point one.

Talking about independent students, none of my data included information on independent students, but indeed a lot of studies have been made. My work tends to indicate to me that the proportion of people who are independent students in the population in that age group, 18 to 24, is about the same as the proportion going to college. I have not seen any kind of extraordinary shift in the last few years—increasing numbers of independent students.

It makes sense to me, when I think about it, that independent students probably are able and more needful of taking advantage of student aid because they don't have any kind of family resource to fall back on, even if it's just a bedroom to sleep in or a breakfast table to sit at in the morning before they go to school. So the independent student has got to cover all of those costs first.

So student aid really has made a difference and they are very aggressive in getting it. But I can't see that we have really seen a big shift in the characteristics relative to the population.

Dr. STAMPEN. We can answer questions like you have raised from the data base, from our public higher education data base and John can answer them from his data base. You can come pretty close from just looking at the printouts that I have. Later at your leisure you might want to look at that.

But the percentages of income are quite substantial all the way up and down the income scale. Independent students—we have rich information about them. One of the surprising discoveries we made for public higher education was that four out of 10 independent students had dependents of their own. Others were quite low income.

Student aid offices have, over time, developed some pretty stringent tests declaring yourself independent without any justification. So, when you look deeper into it, you can find a lot of detail on this question. One thing that I just might add is that from the data bases—increasing numbers of people are using them and perhaps the most important result of our study was the creation of the data bases themselves. They can be questioned. We have been doing analyses for a number of associations, for the Congressional Budget Office, for the National Commission on Student Financial Assistance and the numbers match pretty well with—for example, what we estimate as the total Pell aid matches very closely with the Pell office's records on that subject. It's a good data base.

So, if, in the course of your deliberations, specific questions arise where you need to know pretty precisely which income groups are affected or how much so, those kinds of questions can be answered from the data bases.

Dr. PHILLIPS. I think you are asking a very important set of questions and they have to do with the realities we are facing. Probably the perception is that a person who is poor doesn't make an effort and it's just plain wrong. The latest survey data on gifts to churches and colleges, charitable contributions, shows that people in the lower income groups give more, as a percentage of income, than those in the middle income groups. OK? And in our data base we find that the lowest income, about $6,000 adjusted family income, those people are somehow coming up with a couple of hundred

dollar in family contributions and somehow overcoming an unmet need that does not come from any other source, in the neighborhood of $700.

So somehow those families are coming up with $900 a year to cover the cost of going to an independent college and their family income is $6,000 or less. That is an important finding and an important thing to bear in mind. this whole notion that—what was it Peter Finley Dunne said, "The trouble is that the poor who need the most are the very people who never have any"—well, you know, poor people are making significant contributions in order to have their kids go to an independent college or university.

The second related question you asked about the independent student, we have expressed concerns about the current definition of "independent student," because we think it is subject to some subjectivity. But our concern has nothing to do with the student from a poor family who declares himself independent in order to provide the basis upon which to seek the work and the loans and everything else needed to finance his education. What he's giving up then in terms of family contributions is $200 maximum. OK? That's not the issue. The problem is the kid in the middle income who is really declaring himself independent, either fraudulently or in order to avoid the significant family contribution that is expected under Federal law. That's the issue, it seems to me that needs to be attended to.

Nobody should be making poor kids trying to go to college feel like criminals because they declare themselves independent.

Mr. OWENS. Thank you.

My other question is, Do you have any data which compares the kind of aid students are receiving in other countries, in the countries of our major industrial competitors, for example, with the kinds of aid that own students are receiving? And cannot the argument be made that we are placed at a great disadvantage in our country because one of the legitimate forms of subsidy that these countries are putting forward in aiding their industrial base are the subsidies they provide to education?

Dr. PHILLIPS. Do you want to start?

Dr. LEE. In many respects it is difficult to make direct comparisons because the structure is somewhat different, who is allowed to go to college is somewhat different and, obviously, the way they finance it and kind of the public relationship to institutions is different.

Mr. OWENS. Do you have any studies that assess the amount of public dollars going into the effort? I am talking about the Soviet Union and the Socialist countries. Forget them. I am talking about Japan, Germany, England, France.

Dr. LEE. Let me try to find some comparable sorts of numbers for you and see what I can come up with because I can't answer that right at this moment.

Dr. PHILLIPS. I can give you some information about two countries anyway—West Germany and Japan. West Germany has a very well developed system in which they have loans and grants available for a much larger percentage of the total cost and that's part of the national strategy for economic productivity.

In Japan, they have stood the thing on its head. It's an interesting situation. As a matter of fact, this subcommittee went out to look at that system about—oh, gosh, it's been 7 or 8 years ago now—and what happened there was that you may remember in the late 1960's, they had a little problem with students occupying the University of Tokyo for a year. So there is not a whole lot of interest in Japan in student aid. They don't want to do that. I don't know why exactly.

So what they have done is they have gone to a system of institutional aid directly from the national government to the colleges and universities and in Japan it's almost an exact flip-flop of the situation in the United States.

In the United States we have about 20 percent of enrollment in the private sector and the public sector has about 80 percent. It's exactly the other way around in Japan. The private sector educates about 80 percent of the college students in Japan and they do so with very liberal subventions from the national government to a private colleges foundation which, in turn, makes the grants to the private colleges in order to sustain the academic system and hold the cost to the students to a bare minimum.

You can see two different approaches in those two major competitors and both of them involve more money from the National Government to support education as an integral part of their overall strategy of ever-increasing productivity and international competitiveness. That's kind of the bottom line.

Mr. OWENS. Thank you.

Mr. SIMON. We thank you for your testimony. You have us well launched in our task.

The committee hearing stands adjourned.

[Whereupon, the subcommittee was adjourned at 11:54 a.m., on October 19, 1983, until the following day at 10 a.m.]

[Material submitted for inclusion in the record follows:]

United Negro College Fund, Inc.
500 East 62nd St., N.Y. N.Y. 10021•(212) 644-9600

Administration and
Program Services Division
Department of Research & Government Affairs

November 8, 1983

Mr. William Blakey
Counsel
House Subcommittee Postsecondary
Education
320 Canon House Office Building
Washington DC 20515

Dear Bud:

I am enclosing the your record testimony on "The Impact of Federal Student Aid Programs on Private Historically Black Colleges." I hope this information is helpful to you.

Congratulations for being honored at the United Negro College Fund Congressional Reception last week. It was a well deserved award and it could not have gone to a finer person.

All best wishes.

Sincerely,

Alan H. Kirschner
Director

AHK/fdb

Enclosure

"A mind is a terrible thing to waste."

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THE IMPACT OF FEDERAL STUDENT AID PROGRAMS
ON PRIVATE HISTORICALLY BLACK COLLEGES

The United Negro College Fund is a nonprofit organization providing services to its 42 member institutions, all of which are private, fully-accredited, historically black colleges and universities. Approximately 45,000 students from virtually all fifty states attend UNCF institutions.

Three-fourths of UNCF students come from families earning less than $24,000 annually. Approximately 90% of UNCF students receive financial aid, compared with 60% at private colleges nationally. Seventy-five percent of UNCF students receive the Pell Grant, compared with only 25% of college students nationally. In addition, 44% of UNCF students receive College Work-Study (CW-S), 37% receive the State Student Incentive Grant (SSIG) and 39% receive Supplementary Educational Opportunity Grant (SEOG) funds. Altogether, 34% of total expenditures at UNCF colleges came from federal student aid revenues in 1981-82. Nationally, only 17% of total expenditures came from federal student aid.

Since FY '80, federal support of higher education has increased only slightly in absolute dollars and has declined significantly in real dollars. Federal student aid in the form of grants, work-study and loans increased only 2% in absolute dollars and decreased 15% in real dollars from FY '80 to FY '83, according to the American Council on Education. Every federal student aid program, with the exception of the Guaranteed Student Loan program, has declined since FY '80. Yet, during the period from 1980-81 to 1983-84, tuition costs at private four-year colleges increased 58%.

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Looking at UNCF institutions, from 1979-80 to 1981-82, total financial aid allocations at UNCF institutions increased 17%. This increase was exceeded by a 27% increase in tuition and by a high inflation rate.

Total grant aid (Pell, SEOG, SSIG) to UNCF colleges remained virtually unchanged from 1979-80 to 1981-82. In 1979-80, $67.3 million in grant aid was allocated to UNCF schools; by 1981-82, total grant aid had risen less than one percent to $67.4 million. As a result, grant aid, which equalled 62% of total financial aid to UNCF institutions in 1979-80, represented only 53% of total student aid in 1981-82.

While grant aid has remained static, the volume of loans taken out by UNCF students has increased nearly three-fold. In 1979-80, UNCF students took out a total of about $9.3 million in loans. By 1981-82 this figure had nearly tripled to $26.3 million. The importance of loans as a proportion of total financial aid to UNCF schools increased dramatically during this period. In 1979-80, loans represented only about 5% of total UNCF financial aid; in 1981-82 loans equalled nearly 21% of total financial aid.

The Pell Grant is the largest single source of financial aid to students attending UNCF institutions. Approximately three-fourths of all UNCF students receive this grant. UNCF students experienced a 10% loss in Pell Grant aid from 1979-80 to 1981-82. In 1979-80, $45.8

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million in Pell Grants were awarded to UNCF students. By 1981-82, however, this figure had declined to $41.2 million, despite the fact that the number of UNCF students receiving the Pell Grant has remained stable at about 32,000.

The decline in allocations under the Pell Grant program has meant a decrease in the size of the average Grant. Thus, UNCF students received an average grant of $1,424 in 1979-80, but only $1,225 in 1981-82. This represents a decrease of 11% in the size of the average Pell Grant. In addition, while the average Pell grant covered 75% of tuition costs at UNCF institutions in 1979-80, it covered only 53% of tuition in 1981-82. This decline in Pell Grant aid is clearly a hardship for UNCF students.

Thirty-nine percent of all UNCF students receive the Supplementary Educational Opportunity Grant (SEOG). Ninety-four percent of those students who receive the SEOG grant also receive the Pell Grant. Allocations to UNCF institutions under this program increased nearly 8% from 1979-80 to 1981-82. Approximately $11.8 million in SEOG aid was awarded to UNCF colleges in 1979-80. By 1981-82 this figure had increased to $12.7 million.

The average SEOG grant increased nearly 7% during this period. In 1979-80, the average SEOG grant awarded to UNCF students was $717. In 1981-82, the average grant increased to $754.

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Twenty-two percent of all UNCF students receive the SSIG grant. Allocations under this program increased over 39% from 1979-80 to 1981-82. In 1979-80, $9.7 million in SSIG funds were awarded to UNCF students. In 1981-82, UNCF students received a total of $13.5 million in SSIG funding, making it the second largest grant program for UNCF students. The average SSIG grant increased more than 18%, from $713 in 1979-80 to $844 in 1981-82.

Approximately 44% of all UNCF students received funding under the College Work-Study (CW-S) program in 1981-82. College Work-Study is the third largest source of financial aid to UNCF students, after the Pell Grant and Guaranteed Student Loan programs. From 1979-80 to 1981-82, total allocations to UNCF institutions under this program decreased more than 8%. In 1979-80, UNCF students received $18.4 million in Work-Study money. By 1981-82, this figure had declined to $16.9 million.

The number of UNCF students receiving aid under this program decreased nearly 9% during this period, from about 21,000 students in 1979-80 to 19,000 students in 1981-82. Average income under College Work-Study remained at $893 from 1979-80 to 1981-82, although the cost of attending a UNCF institution increased 27% during this period.

As federal support for College Work-Study has decreased and funding for grant programs has remained static, UNCF students have come

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to rely more heavily on loans to cover the increased cost of tuition. During the period from 1979-80 to 1981-82, loans taken out under the Guaranteed Student Loan (GSL) program alone increased nearly five-fold. In 1979-80, UNCF students took out a total of $4.1 million in Guaranteed Student Loans. In 1981-82, the volume of GSL loans to UNCF students had risen to just over $21 million.

By 1981-82, loans taken out under the GSL program were the second largest source of financial aid to UNCF students, right behind the Pell Grant. The average Guaranteed Student Loan to UNCF students increased over 20% from 1979-80 to 1981-82. In 1979-80, the average loan to UNCF students was $1,773. By 1981-82, the average GSL loan had increased to $2,131.

The percentage of UNCF students relying on loans has increased dramatically since 1979-80. In 1979-80, 2,300 UNCF students, or approximately 5% of all UNCF students, received GSL loans. By 1981-82, the number of UNCF students receiving GSL loans had increased more than four-fold to nearly 10,000 students, or 22% of all UNCF students. It is expected that with the advent of the Citibank/Higher Education Assistance Foundation (HEAF) Assured Access Program, which facilitates access for UNCF students to the GSL program, an even greater number of UNCF students will be turning to loans as a way to cover the costs of their education.

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Because 90% of UNCF students receive financial aid, they have been significantly affected by retrenchment in federal support for higher education. Most of the students attending UNCF colleges come from low-income families; they already operate on a small margin. The median expected parental contribution toward college costs for the typical UNCF student is zero dollars, according to the College Scholarship Serivce. And so there is no "safety net" in the form of higher parental contributions to make up for decreases in student aid programs. Grant and work-study programs have not kept up with the rising costs of attending a UNCF college or with inflation in general.

As a result, UNCF students have been relying more and more on loans to cover their educational costs, but a disproportionate reliance on loans is not the best way to serve the financial needs of students at the lower end of the economic scale. In order to assure access of low-income students to private colleges, grant and work-study programs must be increased.

In particular, the financial aid needs of institutions educating a disproportionate share of low-income students without a state subsidy requires special attention. These colleges and universities are providing a vital and valuable service, yet they are struggling to survive as a direct result of the failure of federal student aid

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to keep pace with rising costs. Unless we are determined to continue to penalize those colleges doing the most to promote equal educational opportunity for the nation's economically dispossessed, legislation most be developed that will provide incentives for such institutions to carry out their vital mission.

Submitted by:

Alan H. Kirschner
Director of Research and
Government Affairs
United Negro College Fund

November 1983

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APPENDIX

I. Financial Aid to UNCF Students
1979-80 to 1981-82

Program	1979-80	1981-82	Change in absolute dollars
PELL	$ 45.8 M	$ 41.2 M	- 10.0%
SEOG	11.8 M	12.7 M	+ 7.6%
CW-S	18.4 M	16.9 M	- 8.2%
NDSL	5.1 M	5.2 M	- 1.9%
SSIG	9.7 M	13.5 M	+ 39.2%
GSL	4.1 M	21.1 M	+ 414.6%
Veterans' Benefits	1.1 M	0.7 M	- 36.4%
Institutional Scholarships	9.4 M	11.2 M	+ 19.1%
Other	3.2 M	4.4 M	+ 37.5%
Total	$108.6 M	$126.9 M	+ 16.8%

II. Average Grants to UNCF Students
1979-80 to 1981-82

Program	1979-80	1981-82	Change
PELL	$1,424	$1,275	-10.5%
SEOG	$ 707	$ 754	+ 6.6%
SSIG	$ 713	$ 844	+18.4%

III. Federal Student Aid FY '80 and FY '83

Program	FY '80	FY '83	Change in absolute dollars	Change in real dollars
PELL	$ 2.441 B	$ 2.419 B	- 0.9%	- 20%
SEOG	370 M	355 M	- 4.1%	- 23%
CW-S	550 M	540 M	- 1.8%	- 21%
NDSL	286 M	179 M	- 37.4%	- 50%
SSIG	77 M	60 M	- 22.1%	- 37%
GSL (Volume)	4.800 B	6.500 B	+ 35.4%	+ 8%
GI Bill	1.600 B	1.100 B	- 31.3%	- 31%
Soc. Sec.	1.600 B	800 M	- 50.0%	- 56%
TOTAL	$11.724 B	$11.953 B	+ 1.9%	- 15%

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AMERICAN COUNCIL ON EDUCATION Policy Brief

One Dupont Circle, Washington, D.C. 20036–1193

Division of Policy Analysis and Research July 1983

COLLEGE COSTS: Recent Trends, Likely Future

Cathy Henderson

Consumers feel the effects of inflation when they buy groceries, pay fuel bills, or take vacations. But what about college charges. How have they been affected in relation to the overall inflation rate?[1] College charges rose steeply during the recent several years when inflation was double-digit. Now that inflation is expected to remain low for the near future, can college charges be expected to rise more slowly?

Trends in college consumer charges are here explored by first answering several questions: Who keeps track of typical college charges? What items are included in a typical college student's budget? How much have average consumer charges risen during the past few years? What can be expected for fall 1983 and fall 1984? What economic and institutional factors will be primarily responsible for determining the rate of change in college charges?

Consumer Cost Information

Two sources of information annually publish estimates of average undergraduate college charges. First, the National Center for Education Statistics (NCES) collects data each year on tuition and fee rates as well as room and board charges for resident students. Data are supplied by all higher education institutions, and average figures are derived by weighting the student charge data by enrollment size. NCES then further derives the *average charges for students* at public and independent two- and four-year institutions.

The second primary source of information is the College Scholarship Service (CSS) of the College Board. In addition to obtaining data on tuition, fees, room and board, the CSS annually collects information on expected expenses for books, transportation, and personal items, in contrast to the NCES survey, CSS simply averages the institutional cost data and does not weight the data by enrollment size. Type and control averages for *groups of institutions* are, therefore, provided by CSS. CSS averages are based on institutional reports from two consecutive years; for example, although approximately 3,200 institutions responded to the CSS 1982-83 survey, published figures were based on only the 1,600-1,700 institutions that had also supplied 1981-82 data. Overall, the NCES series is more useful as an indicator of what *average consumer charges* are, and the CSS series more clearly reflects the *charges individual institutions* are making.

Typical College Charges for Consumers

Many people, in thinking about the costs of attending college, consider only tuition and fee charges. However, for most full-time students, living expenses such as room, board, transportation, and personal expenses must be added to the expected payments for tuition, fees, and books. Average student budgets for full- or part-time commuter students more often are limited to tuition, fees, books, and partial transportation costs, on the assumption that their place of residence remains unchanged. Based on data from NCES and CSS, comprehensive budgets for full-time undergraduate students enrolled for the 1983-84 academic year are projected by the American Council on Education (ACE) to be $4,618 at public institutions and $8,939 at independent institutions (see Table 1 for detailed projections).

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Recent Trends

Table 2 compares recent rates of growth among average college charges, faculty salaries, the Higher Education Price Index (HEPI), and the Consumer Price Index (CPI). From 1977 through 1982, average total tuition, fees, room, board, and other personal college expenses did not rise as steeply as the annual CPI: the CPI rose 59.4 percent, and average charges at all institutions climbed 50.8 percent. There were, however, differences between the public and private sectors. The rate of increase in college charges at public institutions, at 46.7 percent, stayed below the CPI level, and the rate at independent institutions, at 58.0 percent, generally followed the CPI.[2] During the 1977-82 period, faculty salaries rose at a slower pace than the general inflation rate: while the CPI climbed 59.4 percent, faculty salaries grew by only 44.9 percent.

The Higher Education Price Index is a useful measure of the changes in the prices of a fixed "market basket" of goods and services used by higher education institutions. Included in the HEPI components are professional and nonprofessional wages and salaries, fringe benefits, contracted services, supplies and materials, institutional equipment, books and periodicals, and utilities. Although comparable figures are available from the HEPI only through 1981-82, the HEPI appears to have lagged behind the CPI increase from fall 1977 through fall 1982, as shown in Table 2 figures for 1977-78 through 1981-82. By fall 1981 the CPI had risen 50.2 percent and the HEPI had registered a 44.2 percent increase.

What are the probable reasons behind these different rates of increase during the past several years? The rapid rate of growth in the CPI during this period forced many institutional administrators to defer expensive facility renovations and maintenance projects in order to keep their operational costs as low as possible. At the same time, fuel costs were skyrocketing; the utility component of the HEPI doubled (101.5 percent) during this period. In contrast, the total HEPI personnel compensation component (including salaries, wages, and fringe benefits) rose only 40.3 percent. Clearly, institutions did not pass along real cost-of-living increases to their faculty and staff for reasons of the other operating budget pressures caused by high inflation rates.

Although the impact of unemployment and economic recession has varied from state to state over the past few years, by 1982 state revenues had been substantially reduced in most areas, thereby forcing increases in public tuition and fee rates. Tuition and fee increases for fall 1982 were estimated at 12 percent at public institutions and 13 percent at independent institutions. In recent years, increases in tuition and fees at independent institutions have risen slightly above the public sector rate. Tuition is the primary revenue source for independent institutions and the only one under the direct control of the institutions when annual giving, endowment income, and government funding do not increase enough to offset inflation. By fall 1982 many independent institutions had also begun to rehabilitate some of their physical plant expenditures that had typically been postponed during the era of soaring utility bills.

Likely Future

The Congressional Budget Office (CBO) projects that the CPI rise will range between 4 and 5 percent in 1983 and 1984.[3] Data collected by John Minter Associates and the Economic Forecasting Project at Georgia State University indicate that the average annual increase in tuition and fees for fall 1983 may range between 8 percent and 10 percent across institutions. In light of the recent economic pressures that have forced mid-year tuition increases at several public institutions (including the University of Illinois and 29 institutions in the California state college and university system), ACE is projecting that in fall 1983 the public tuition and fee increase will be 9 percent and the independent sector increase is likely to be 10 percent. Both these rates of increase are well below the fall 1982 ACE estimates of 12 percent for the public sector and 13 percent for the independent sector.

For fall 1984, John Minter Associates project that tuition and fees will increase 7 percent in public institutions and 8 percent at independent institutions. Because the CBO estimates that unemployment will remain above 9 percent through 1984[4] and result in continuing pressures on state revenues, ACE projects tuition and fees will increase 8 percent in both sectors. On balance, analysts see average college charges outpacing inflation rates through 1984 in order to make up for ground lost during the late 1970s and early 1980s. As already noted, high inflation rates during this period forced institutions to pay a larger share of their budgets for utility costs, defer expensive facility maintenance and renovation, and depress faculty and staff compensation below real cost-of-living annual increases.

Factors Shaping Consumer Charges Trends

A number of factors will shape the annual increase in average student budgets during the next several years. Charges are likely to rise *more slowly* than expected under any of the following conditions:

a) Utility costs remain constant, thereby permitting a larger share of any increase in revenue to be used to restore personnel compensation or to renovate institutional facilities, or both;

b) Capital fund drives, boosted by alumni and corporate giving, are successful in meeting their goals to provide larger endowment cushions to help offset unexpected drains on institutional operating buget revenues;

c) Enrollment levels stabilize or possibly grow (as measured in terms of full-time equivalent enrollment) and thereby augment general operating revenues; and

d) State appropriations for higher education increase at rates equal to or greater than the inflation rate.

In contrast, average college costs to consumers could be driven higher than expected if any of the following occur:

a) Sustained high inflation rates resume;

b) Enrollment levels dip, creating underutilized capacity and thus drive up per unit costs to fewer consumers;[5]

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c) High unemployment rates remain for several years, further depressing state revenues for higher education support (primarily affecting the public sector but also those independent institutions where in-state students use state scholarship funds);
d) State legislators decide to make students in public institutions pay a higher percentage of actual educational costs; and
e) Federal need-based student aid is cut, a situation that would pressure more institutions to supplement federal aid with institutionally funded student assistance programs.

There is no doubt that average undergraduate consumer charges will continue to rise. The rate of change in these charges will be determined largely by national and state economic conditions, public policy decisions, and consumer reactions.

Notes

1. Analysis is for undergraduate level charges only. Data for universities are included as part of the calculations for four-year institutions.
2. These figures are ACE estimates based on analyses of NCES and CSS data over the past several years. Actual figures weighted by fall 1982 enrollment will be forthcoming from NCES in the summer of 1983. Analysis in this paper for independent institutions does exclude proprietary institutions.
3. Congressional Budget Office, *Baseline Budget Projections for Fiscal Years 1984-1988: A Report to the Senate and House Committees on the Budget, Part II* (Washington: Government Printing Office, 1983), p. 6.
4. Ibid.
5. See also Nathan Dickmeyer, *Financial Conditions of Colleges and Universities* (Washington: American Council on Education and National Association of College and University Business Officers, 1983), and David W. Breneman, "Higher Education and the Economy," *Educational Record* 62 (1981):18-21.

TABLE 1. Trends in Average Undergraduate Consumer Charges, 1977-78—1984-85

Year	Total Costs[1]			Tuition and Fees			Room, Board and Other Expenses		
	Total	Public	Independent[2]	Total	Public	Independent[2]	Total	Public	Independent[2]
1977-78	$3,479	$2,932	$5,210	$1,016	$515	$2,604	$2,463	$2,417	$2,606
1978-79	3,669	3,061	5,585	1,099	548	2,843	2,570	2,513	2,742
1979-80	3,935	3,285	5,988	1,186	586	3,089	2,749	2,699	2,899
1980-81	4,340	3,603	6,665	1,315	636	3,466	3,025	2,967	3,199
1981-82	4,823	3,987	7,471	1,486	713	3,935	3,337	3,274	3,536
	ACE Projections[3]								
1982-83	5,245	4,301	8,230	1,674	799	4,447	3,571	3,502	3,783
1983-84	5,656	4,618	8,939	1,835	870	4,891	3,821	3,748	4,048
1984-85	6,032	4,918	9,574	1,982	940	5,283	4,050	3,978	4,291

1. Total costs combine: (1) tuition, fee, room, and board charges from the National Center for Education Statistics, HEGIS surveys, and (2) expenses for transportation, books, supplies, and personal items from the College Scholarship Service survey series.
2. Excludes proprietary institutions.
3. ACE projections, using the following inflators:

Year	Tuition and Fees		Room, Board, and Other Expenses
	Public	Independent	
1982-83	12%	13%	7%
1983-84	9%	10%	7%
1984-85	8%	8%	6%

These inflators were developed after reviewing data from the National Center for Education Statistics, the College Scholarship Service, John Minter Associates, the Congressional Budget Office, and the Economic Forecasting Project at Georgia State University, 1983. Inflators for tuition, fees, room, board, and/or other expenses from the above sources ranged between 7 percent and 12 percent.

Sources: Division of Policy Analysis and Research, American Council on Education, based on data from the National Center for Education Statistics and the College Scholarship Service of the College Board, *The College Cost Book*, selected years.

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TABLE 2. Recent Rates of Growth in Undergraduate College Charges and Related Indices
(1977-78 as Base Year)

Year	Total Costs[1]			Tuition and Fees			Room, Board, and Other Expenses			Faculty Salaries	HEPI[3]	CPI[4]
	Total	Public	Independent[2]	Total	Public	Independent[2]	Total	Public	Independent[2]			
1977-78	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1978-79	105.5	104.4	107.2	108.2	106.4	109.2	104.3	104.0	105.2	106.0	107.8	109.3
1979-80	113.1	112.0	114.9	116.7	113.8	118.6	111.6	111.7	111.2	113.8	118.4	123.9
1980-81	124.7	122.9	127.9	129.4	123.5	133.1	122.8	122.8	122.8	124.0	131.1	138.2
1981-82	138.6	136.0	143.4	146.3	138.4	151.1	135.5	135.5	135.7	134.7	144.2	150.2
Projections[5]												
1982-83	150.8	146.7	158.0	164.8	155.1	170.8	145.0	144.9	145.2	144.9	N.A.	159.4
1983-84	162.6	157.5	171.6	180.6	168.9	187.8	155.1	155.1	155.3	N.A.	N.A.	166.6
1984-85	173.4	167.7	183.8	195.1	182.5	202.9	164.4	164.1	164.7	N.A.	N.A.	174.9

1. See footnote 1 in Table 1.
2. Excludes proprietary institutions.
3. Higher Education Price Index, adjusted for fiscal years.
4. Consumer Price Index, adjusted for fiscal years.
5. See footnote 3 in Table 1.

Sources: Division of Policy Analysis and Research, American Council on Education, based on data from the National Center for Education Statistics, the College Scholarship Service of the College Board, *The College Cost Book*, selected years; John Minter Associates and the American Association of University Professors data supplied to *The Chronicle of Higher Education*, January 1983; Research Associates of Washington, "Higher Education Prices and Price Indexes: 1982 Update," October 1982; the Bureau of Labor Statistics, annual releases; and Congressional Budget Office, *Outlook for Economic Recovery*, February 1983.

Through its *Policy Brief* series, ACE's Division of Policy Analysis and Research publishes studies that offer background information on important trends and policy issues affecting higher education. Additional copies of this *Policy Brief* are available upon request; please enclose a self-addressed stamped envelope.

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RECENT TRENDS IN FINANCIAL AID TO STUDENTS ATTENDING INDEPENDENT COLLEGES AND UNIVERSITIES

by

Virginia Hodgkinson

and

Julianne Still Thrift

August 1982

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RECENT TRENDS IN FEDERAL FINANCIAL AID TO STUDENTS ATTENDING INDEPENDENT COLLEGES AND UNIVERSITIES

During 1981-82, the National Institute of Independent Colleges and Universities (NIICU) conducted a survey of student aid records from a national sample of aid recipients attending independent colleges and universities with enrollments of more than 500 students. Two previous surveys conducted in academic years 1978-79 and 1979-80 demonstrated the need for and the effect of the Middle Income Student Assistance Act of 1978, enacted to expand federal student assistance opportunities to low-income students while providing access to such benefits for students from middle-income families. These two earlier surveys make it possible to discern some trends in student aid for the independent sector.

Findings from the current survey indicate what appear to be interesting and surprising trends in student aid packaging that may have major implications for financing college attendance in the future. The principle finding is that recent reductions in federal student assistance and restrictions placed on program eligibility reduced substantially the number and proportion of low-income students attending independent colleges and universities in 1981-82. NIICU is continuing its analysis to determine all the reasons for these shifts in a two year span and the effects on students attending independent colleges and universities.

SUMMARY OF FINDINGS

- Although total undergraduate enrollment increased almost two percent between 1979-80 and 1981-82, the percentage of total undergraduate aid recipients dropped from almost 60 percent of total undergraduate enrollment in 1979-80 to 56 percent in 1981-82.

- The number of undergraduate independent students receiving aid dropped by approximately 16 percent, which goes directly counter to trends in public colleges and universities.

- Findings concerning undergraduate dependent students become more meaningful when analyzed by family income categories. The number of dependent undergraduate aid recipients from families with incomes in the $6,000 to $24,000 range declined dramatically. Between 1979-80 and 1981-82, there was a 39 percent decrease in student aid recipients from that broad income range. This suggests that, because of continuing increases in college costs that coincide with decreased dollars available from federal aid programs, the independent sector is experiencing a major loss of students from this income range.

- There was a decline of almost 18 percent in the amount of Pell Grant funding to students attending independent colleges and universities, and almost a 10 percent decrease in the number of Pell Grant recipients.

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- There was a major increase in institutional need-based aid. The percentage of recipients went from 45 percent in 1979-80 to 55 percent in 1981-82, and the average institutional award increased by 19 percent, from $1,196 to $1,424 in the same period.

- The use of Guaranteed Student Loans also increased dramatically. The number of students participating in this program during the two-year period doubled, and the average GSL has increased by 27 percent, from $1,787 in 1979-80 to $2,264 in 1981-82. (Major restrictions in GSL were enacted after the survey period.)

  For 1979-80, the proceeds of "self-help" efforts (loans, work, student savings) covered 31.1 percent of the average student budget in the independent sector. By 1981-82, "self-help" averaged 41.4 percent -- an increase of over $1,000 per student.

- While student aid reports no longer require identification of aid recipients by race, thereby making it impossible to get an accurate count of minority recipients, there is nevertheless an indication that minority participation declined in the two-year span.

DETAILED FINDINGS

In 1981-82, NIICUs survey of student aid recipients from student aid records included a national sample of 122 independent colleges and universities with enrollments above 500 students. There were approximately 1.8 million undergraduates enrolled at independent colleges and universities this year and 999,000 (55.7 percent) received some form of financial aid. Table 1 below summarizes the changes in population from 1979-80 to 1981-82.

TABLE 1

UNDERGRADUATE POPULATION

	1979-80 (%)	1981-82 (%)
Total Undergraduate Headcount*	1,764,000 (100%)	1,794,000 (100%)
Total Undergraduate Recipients	1,048,000 (59.4%)	999,000 (55.7%)

*Source: National Center for Education Statistics: 1979 and 1981 Fall Enrollment Surveys

Although total undergraduate enrollment increased almost two percent over this two-year period, the number of aid recipients dropped by five percent and the percentage of total undergraduate recipients on aid dropped from almost 60 percent of total undergraduate enrollment in 1979-80 to 56 percent in 1981-82.

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TABLE 2

DISTRIBUTION OF UNDERGRADUATE AID RECIPIENTS
AT INDEPENDENT INSTITUTIONS: FALL 1979 AND FALL 1981

(Enrollments of 500 or More)

	Estimated Number of Recipients and Percent of Population	
	1979-80	1981-82
Dependent Undergraduate Aid Recipients	901,000 (51.1%)	875,000 (48.8%)
Independent Undergraduate Aid Recipients	147,000 (8.3%)	124,000 (6.9%)
Total Undergraduate Aid Recipients	1,048,000 (59.4%)	999,000 (55.7%)

The main percentage decrease in undergraduate recipients was in independent students over the two-year period. The number of independent students receiving aid dropped by approximately 16 percent, which is directly counter to national trends at public colleges and universities. Undergraduate dependent recipients of aid decreased by three percent over this period. However, these drops do not fully tell the story until one examines the changes in these students by family income profile.

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TABLE 3

PERCENTAGE DISTRIBUTION OF UNDERGRADUATE
AID RECIPIENTS BY PARENTAL ADJUSTED GROSS INCOME

(Enrollments of 500 or More)

Parental Adjusted Gross Income	Estimated Number* Of Recipients		Percent of Total Recipients		Percent of Total Undergraduate Headcount Enrollment	
	1979-80	1981-82	1979-80	1981-82	1979-80	1981-82
Dependent						
Under $6,000	79,000	78,000	7.6	7.8	4.5	4.3
$ 6-12,000	152,000	84,000	14.5	8.4	8.6	4.7
$12-18,000	163,000	95,000	15.5	9.5	9.2	5.3
$18-24,000	178,000	122,000	16.9	12.2	10.0	6.8
$24-30,000	135,000	136,000	12.9	13.6	7.7	7.6
$30-36,000	66,000	98,000	6.2	9.8	3.7	5.5
Over $36,000	50,000	128,000	4.8	12.8	2.9	7.1
Income Unknown	79,000	135,000	7.6	13.5	4.5	7.5
Total Dependent Recipients	901,000	875,000	86.0	87.6	51.1	48.8
Independent All Incomes	147,000	124,000	14.0	12.4	8.3	6.9
Total Undergraduate Recipients	1,048,000	999,000	100.0%	100.0%	59.4%	55.7%

* Numbers may not total due to rounding.

Although the number of recipients from some income groups increased or remained stable, decreases were dramatic among recipients from families with incomes from $6,000 to $24,000. From 1979-80 to 1981-82, there was a 39 percent decrease in student aid

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recipients from families in these income groups. Dividing that broad income range into three segments, there was a 39 percent decrease among recipients from families from the $6,000 to $12,000 income group, a 42 percent decrease in recipients from the $12,000 to $18,000 income group, and a 31 percent decrease in the $18,000 to $24,000 income group. What these figures suggest is that the increase in college costs, the lowering of effort in federal student aid programs, and the effects of double-digit inflation have created a major shift of students out of the independent sector from these income groups.

The number of recipients from the $24,000 to $30,000 income group has remained relatively stable, while the number of recipients in the highest income group has grown. This is probably the result of inflation of family incomes and the availability of GSLs to students regardless of family income. The result appears to be a change in the income configuration of the population of student recipients attending independent colleges. From 1979-80 to 1981-82, students on aid from families with incomes between $30,000 and $36,000 increased by 48 percent, recipients from families with incomes of $36,000 or more increased by 156 percent, and students on aid from families who, because of the funding source, were not required to submit income information increased by 71 percent. Whereas 78 percent of the dependent aid recipients at independent colleges and universities came from families with incomes below $30,000 in 1979-80, only 59 percent of the recipients came from families with these incomes in 1981-82. Taking inflation into account and assuming that families making $30,000 would earn approximately $36,000 in 1981-82, the percentage difference is not as large. By 1981-82, 70 percent of the recipients came from families with incomes below $36,000. However, in absolute terms, the number of undergraduate dependent recipients from families earning less than $30,000 had dropped by 27 percent or approximately 192,000 students.

The top half of Table 4 summarizes the major characteristics of dependent undergraduate aid recipients in 1979-80 and 1981-82. Since 1979-80, the characteristics of students have remained relatively stable by age, registration status, academic level and local residence. Because the federal government is no longer requiring students to report their race to colleges and universities, almost 13 percent of all recipients did not report their race to the financial aid office. Therefore, we are no longer able to provide an accurate picture about the percent of minority recipients on aid. Still, it does appear that there has been some decline in minority participation.

The bottom portion of Table 4 summarizes changes in participation rates and reports average awards by source of funds. There have been major changes in both the type of award and the percentage of recipients participating in the programs and in the average awards from 1979-80 to 1981-82. Perhaps the most notable decline occurred in the Pell Grant program where both the percentage of Pell Grant recipients and the average award have dropped since 1979-80. The percentage of Pell Grant recipients dropped from 66 percent to 53 percent and the average award dropped from $974 to $940.

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TABLE 4

DEPENDENT UNDERGRADUATE AID RECIPIENTS:
REPORTED PARENTAL INCOMES
(COMBINED)

STUDENT CHARACTERISTICS

SEX:	FALL 1979	FALL 1981	AGE	FALL 1979	FALL 1981
MALE	47.8%	45.4%	Average:	19.3	19.8
FEMALE	52.1%	54.9%			
RACIAL/ETHNIC CHARACTERISTICS			**REGISTRATION STATUS**		
Black	12.6%	7.1%	Full-time	98.6%	97.2%
Hispanic	5.1%	3.7%	Part-time	1.3%	0.7%
Asian/Pacific Islander	4.0%	1.2%	Other	0.1%	2.1%
American/Alaskan Indian	0.4%	0.2%			
White	69.5%	74.9%			
Unreported	0.9%	12.9%			
ACADEMIC LEVEL			**LOCAL RESIDENCE**		
Freshman	32.4%	32.3%	On Campus	71.4%	69.9%
Sophomore	26.8%	28.4%	Off Campus (in community)	8.0%	9.2%
Junior	21.9%	20.6%	At Family Home	20.6%	20.9%
Senior	19.9%	18.1%			
5th Year	0.9%	0.6%			

RECIPIENTS RECEIVING AID BY MAJOR SOURCE OF FUNDS

SOURCE OF FUNDS	Percent Of Recipients Receiving Aid 1979-80	1981-82	Mean Dollar Amounts Per Recipient 1979-80	1981-82
Pell Grant (BEOG)	66.3%	62.6%	$ 974	$ 940
SEOG	31.3%	27.9%	$ 894	$ 744
State (need-based)	47.2%	47.7%	$1,344	$1,210
Institutional (need-based)	48.2%	54.6%	$1,196	$1,424
CW-S (Federal, State Institutional, Off Campus)	48.3%	58.1%	$ 811	$ 904
NDSL	43.0%	34.2%	$ 801	$ 923
FISL/BSL	33.8%	83.3%	$1,787	$2,264

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Because this drop in Pell awards was greater than one would expect to result from the two reductions in federal appropriation levels, NIICU conducted an entirely separate survey of a representative national sample of 200 independent colleges and universities. With 85 percent of the colleges responding, it was confirmed that there has been a decline not only in Pell Grant recipients, but also in the total Pell Grant dollars going to independent colleges from 1979-80 to 1981-82. The number of Pell recipients at independent colleges and universities dropped 9.9 percent and the total Pell dollars dropped 17.5 percent between 1979-80 and 1981-82. Table 5 below details these changes both in dollars and numbers of recipients. (The Pell data reported from the two national samples differ slightly because those from the Student Aid Recipient Data Bank reflect changes only in undergraduate dependent recipients while the follow-up survey of Pell Grant recipients covers both independent and dependent students.)

Table 5

TRENDS IN THE PELL GRANT PROGRAM AND ENROLLMENTS
AT INDEPENDENT COLLEGES AND UNIVERSITIES FROM 1979-80 TO 1981-82

	1979-80	1980-81	1981-82
PELL DOLLARS	$614,044,860	$569,868,006	$506,438,227
RECIPIENTS	569,160	551,309	513,236
UNDERGRADUATES	1,784,000	1,818,000	1,794,000
AVERAGE AWARD	$1,078	$1,034	$987
PERCENT OF ALL UNDERGRADUATES WITH PELL GRANTS	32.00%	30.00%	29.00%

	1979-80 TO 1980-81 (ONE YEAR)	1980-81 TO 1981-82 (ONE YEAR)	1979-80 TO 1981-82 (TWO YEARS)
CHANGE IN TOTAL PELL DOLLARS	$-44,176,855	$-63,429,779	$-107,606,633
PERCENT CHANGE IN PELL DOLLARS	-7.20%	-11.10%	-17.50%
CHANGE IN NUMBER OF RECIPIENTS	-18,250	-38,073	-56,324
PERCENT CHANGE IN NUMBER OF RECIPIENTS	-3.20%	-6.90%	-9.90%
CHANGE IN UNDERGRADUATE ENROLLMENT	34,000	-24,000	10,000
PERCENT CHANGE IN UNDERGRADUATE ENROLLMENT	1.10%	-1.30%	1.70%

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NIICU's analysis of the decline in Pell Grant recipients suggests that efforts by the Department of Education to restrict program eligibility through regulatory changes in the Family Contribution Schedule have made many middle income families ineligible for these awards. Furthermore, Congressional action to reduce the maximum award from $1800 to $1750 in 1980-81 and to $1670 in 1981-82 helps to account for some of the loss in overall dollars.

Returning to Table 4, the percentage of recipients receiving SEOG declined from 1979-80 to 1981-82 although the average award increased slightly. The percentage of recipients on state need-based aid remained stable, but the average award dropped by almost 10 percent from $1,344 in 1979-80 to $1,210 in 1981-82.

There was a major increase in institutional need-based aid. Not only did the percentage of recipients increase from 45 to 55 percent of total recipients, but the average institutional award increased by 19 percent from $1,196 in 1979-80 to $1,424 in 1981-82. This trend in the increase in institutional aid is disturbing because colleges and universities have limited dollars available to help replace federal support, especially since the major cuts in federal student aid will not occur until the fall of 1982.

Despite level federal funding, work-study continues to increase, again due to major increases in funding from institutions. NDSL appropriations were cut by $100 million in 1981, and the decline of students receiving NDSL awards reflects this decrease.

Guaranteed Student Loans (GSL) are clearly shown to be the major program, other than institutional aid, that is used to assist funding an education at an independent college and university. In 1979-80, approximately 24 percent of undergraduate recipients had an average GSL of $1,787. Barely two years later 53 percent needed an average GSL of $2,264. The population doubled and the average award increased by 27 percent. This trend is disturbing not only because it represents major increases in the debt burden on students, but because it appears that students attending independent colleges and universities are becoming even more dependent on GSL funding.

The changing distribution of funds has led to major changes in the packaging of aid and is clearly shifting the major burden for financing higher education to students. Table 6 details the average award by family income and the changes that have occurred in this two-year period. What this table shows is a substantial reduction in the availability of Pell Grant support, combined with an increasing reliance on GSL among recipients from lower income families, where use of GSL has nearly tripled during this two-year period.

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TABLE 6

UNDERGRADUATE DEPENDENT AID RECIPIENTS BY PARENTAL ADJUSTED GROSS INCOME AND SOURCE OF AID, 1979-80 AND 1981-82

PARENTAL ADJUSTED GROSS INCOME / SOURCE OF AID	Under $5,000 Mean $ amount per Recipient (% Recipients Receiving this Aid)		$6,000-$12,000 Mean $ amount per Recipient (% Recipients Receiving this Aid)		$12,000-$18,000 Mean $ amount per Recipient (% Recipients Receiving this Aid)		$18,000-$24,000 Mean $ amount per Recipient (% Recipients Receiving this Aid	
	1979-80	1981-82	1979-80	1981-82	1979-80	1981-82	1979-80	1981-82
Pell Grants (BEOG)	$ 1,601 (91.7%)	$ 1,442 (81.7%)	$ 1,417 (80.9%)	$ 1,226 (86.4%)	$ 1,072 (78.4%)	$ 998 (75.3%)	$ 800 (68.0)%	$ 771 (61.5%)
SEOG	$ 645 (46.9%)	$ 756 (24.0%)	$ 647 (43.6%)	$ 762 (35.9%)	$ 724 (39.8%)	$ 725 (39.3%)	$ 734 (30.0%)	$ 756 (34.6%)
State Need-Based Grants	$ 1,444 (49.3%)	$ 1,400 (58.7%)	$ 1,413 (57.3%)	$ 1,323 (50.6%)	$ 1,395 (56.0%)	$ 1,274 (56.6%)	$ 1,344 (50.7%)	$ 1,124 (59.1%)
Institutional Grants	$ 989 (20.7%)	$ 1,380 (20.7%)	$ 1,142 (34.2%)	$ 1,467 (44.5%)	$ 1,305 (45.5%)	$ 1,552 (50.5%)	$ 1,393 (47.7%)	$ 1,447 (60.9%)
College Work-Study*	$ 823 (46.6%)	$ 976 (50.9%)	$ 785 (48.5%)	$ 881 (53.6%)	$ 835 (53.0%)	$ 928 (66.3%)	$ 818 (48.6%)	$ 887 (65.4%)
NDSL	$ 811 (34.7%)	$ 922 (33.6%)	$ 824 (46.2%)	$ 978 (38.8%)	$ 839 (46.0%)	$ 1,000 (39.8%)	$ 834 (43.0%)	$ 967 (34.9%)
FISL/GSL	$ 1,398 (14.6%)	$ 2,115 (34.6%)	$ 1,404 (16.7%)	$ 2,175 (42.4%)	$ 1,433 (21.3%)	$ 2,117 (50.1%)	$ 1,571 (23.6%)	$ 2,202 (48.4%)

UNDERGRADUATE DEPENDENT AID RECIPIENTS BY PARENTAL ADJUSTED GROSS INCOME AND SOURCE OF AID, 1979-80 AND 1981-82

PARENTAL ADJUSTED GROSS INCOME / SOURCE OF AID	$24,000-$30,000 Mean $ amount per Recipient (% Recipients Receiving this Aid)		$30,000-36,000 Mean $ amount per Recipient (% Recipients Receiving this Aid)		$36,000 OR MORE Mean $ amount per Recipient (% Recipients Receiving this Aid)		PARENTAL ADJUSTED GROSS INCOME UNKNOWN	
	1979-80	1981-82	1979-P0	1981-82	1979-80	1981-82	1979-80	1981-82
Pell Grants (BEOG)	$ 662 (66.0%)	$ 553 (47.0%)	$ 569 (29.2%)	$ 509 (24.9%)	$ 540 (16.3%)	$ 444 (14.0%)	$ 1,262 (11.7%)	$ 424 (7.3%)
SEOG	$ 769 (19.2%)	$ 729 (28.9%)	$ 853 (12.2%)	$ 883 (21.5%)	$ 829 (4.9%)	$ 583 (13.8%)	$ 630 (1.1%)	$ 86 (5.4%)
State Need-Based Grants	$ 1,367 (39.4%)	$ 1,222 (51.4%)	$ 1,454 (30.0%)	$ 1,062 (39.9%)	$ 1,139 (14.1%)	$ 989 (22.0%)	$ 1,281 (10.0%)	$ 226 (15.9%)
Institutional Grants	$ 1,331 (54.4%)	$ 1,426 (58.5%)	$ 1,384 (56.7%)	$ 1,309 (56.6%)	$ 1,296 (53.0%)	$ 1,400 (58.0%)	$ 947 (3.3%)	$ 594 (7.4%)
College Work-Study*	$ 809 (45.2%)	$ 887 (58.5%)	$ 825 (48.9%)	$ 994 (58.5%)	$ 938 (41.3%)	$ 870 (51.5%)	$ 729 (14.8%)	$ 227 (27.3%)
NDSL	$ 842 (44.5%)	$ 888 (36.0%)	$ 786 (36.9%)	$ 898 (32.9%)	$ 830 (30.8%)	$ 804 (26.1%)	$ 834 (0.8%)	$ 155 (6.0%)
FISL/GSL	$ 1,701 (28.7%)	$ 2,322 (54.9%)	$ 1,790 (31.2%)	$ 2,295 (61.0%)	$ 1,565 (39.7%)	$ 2,400 (71.5%)	$ 2,030 (37.5%)	$ 2,530 (67.4%)

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TABLE 7

ALL DEPENDENT UNDERGRADUATE AID RECIPIENTS: 1979-80 and 1981-82

	1979-80		1981-82	
STUDENT EXPENSES	AVERAGE DOLLAR AMOUNTS	PERCENT OF TOTAL EXPENSES	AVERAGE DOLLAR AMOUNTS	PERCENT OF TOTAL EXPENSES
A. TUITION AND FEES	$3,417	(58.9%)	$4,174	(58.0%)
B. ROOM AND BOARD	1,553	(26.8%)	$1,938	(26.9%)
C. ALL OTHER BUDGETED EXPENSES	830	(14.3%)	$1,099	(15.2%)
TOTAL STUDENT EXPENSES	$5,800	(100.0%)	$7,211	100.0%
GRANTS/PARENTAL CONTRIBUTIONS				
1. EXPECTED PARENTAL CONTRIBUTIONS	$1,463	(25.2%)	$1,540	(21.4%)
2. NEED-BASED GRANTS:				
PELL GRANTS (BEOG)	$ 668	(11.5%)	$ 494	(6.9%)
SUPPLEMENTAL GRANTS (SEOG)	208	(3.6%)	207	(2.9%)
STATE GRANTS (INCLUDING SSIG)	610	(10.5%)	574	(8.0%)
INSTITUTIONAL GRANTS	564	(9.7%)	777	(10.8%)
TOTAL NEED-BASED GRANTS	$2,050	35.3%	$2,053	28.5%
3. SUB-TOTAL (1+2)	3,513	(60.6%)	$3,592	49.9%
SELF-HELP				
4. STUDENT EMPLOYMENT:				
COLLEGE WORK-STUDY (CW-S)	$ 318	(5.5%)	$ 402	(5.6%)
STATE/INSTITUTIONAL WORK PROGRAMS	61	(1.0%)	$ 123	(1.7%)
TOTAL STUDENT EMPLOYMENT	$ 379	(6.5%)	$ 525	(7.3%)
5. STUDENT LOANS				
NAT'L DIRECT STUDENT LOANS (NDSL)	$ 334	(5.8%)	$ 316	(4.4%)
GUARANTEED STUDENT LOANS (FISL/GSL)	354	(6.1%)	$1,207	(16.8%)
INSTITUTIONAL LOANS	15	(0.2%)	20	(0.2%)
TOTAL STUDENT LOANS	$ 703	(12.1%)	$1,543	21.4%
6. EXPECTED STUDENT CONTRIBUTIONS	$ 720	12.4%	$ 912	12.7%
7. SUB-TOTAL (4+5+6)	$1,802	(31.1%)	$2,980	(41.4%)
OTHER AID				
8. AID FROM ALL OTHER SOURCES*	$1,381	(8.8%)	$ 804	(8.4%)
TOTAL STUDENT RESOURCES	$5,698	(98.9%)	$7,177	99.7%
BALANCE (TOTAL RESOURCES - TOTAL EXPENSES)	($104)	(1.8%)	$ (34)	(0.4%)

* Other aid includes grants, loans and work from other federal, state, institutional and private sources.

Table 7 compares the average budget for all aid recipients from 1979-80 to 1981-82. The changing distribution in the packaging of aid can be seen over the two-year period, with federal grant support showing significant reductions, while student self-help shows dramatic increases.

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Tables 8 and 9 which follow summarize the major trends in the financing of independent higher education for dependent undergraduates from 1979-80, the first year of the implementation of the Middle Income Student Assistance Act, to 1981-82.

Expected parental contributions for students from families with adjusted gross incomes below $36,000 continued to decline both in absolute dollars and as a proportion of total student expenses. There is probably a combination of reasons for this decline: a decade of inflation which has caused families to save less and to accumulate fewer liquid assets, and most families with incomes above $24,000 have two or more children in college.

Need-based grants declined as a proportion of total student budgets for most income groups, particularly in families with incomes below $24,000. There was some increase in need-based aid for students from families from incomes between $24,000 and $30,000 which came primarily from institutional aid.

The major change in packaging that has occurred during the past two years is the tremendous increase in reliance on self-help, primarily because of growth in participation in the Guaranteed Student Loan program. In 1979-80, self-help averaged 31.1 percent of total student budgets, and in 1981-82, it averaged 41.4 percent of total student budgets. This trend was evident across all income groups. But the increase in absolute dollar amounts per income group is even more dramatic. For recipients from all income levels, self-help increased an average of over $1000 per student. For students from families with incomes below $18,000, and from families with incomes above $30,000 the total dollar amount of self-help increased by over 50 percent. Students from families with incomes between $18,000 and $30,000 had increases between 45 and 50 percent.

In conclusion, these trends in student aid packaging clearly show an increased reliance on self-help. When the 1980 Amendments to the Higher Education Act were passed, it was stated as a national goal that students should be responsible for 25 percent of the cost of their education through a combination of savings, work and loans. When that act was passed, on an average, students attending independent colleges and universities were paying 31.1 percent of the cost of education through self-help. In 1982, it has increased to 41.4 percent. This is an indication that we are not reaching our national goals, and as the burden of paying for an education gets heavier for some very bright and talented students they may decide to forego the kind of higher education to which they have aspired, or higher education altogether. If that should happen, it would be a tragedy for the whole nation.

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TABLE 8

AVERAGE DOLLAR AMOUNTS AND PERCENT OF

TOTAL STUDENT EXPENSES BY PARENTAL INCOME

AND BY SOURCE OF FUNDS FOR ALL DEPENDENT UNDERGRADUATE

AID RECIPIENTS 1979-80

Parental Adjusted Gross Income	Average Parental Contribution $	%	Average Need-Based Grants $	%	Average Self-Help $	%	Other Aid $	%	Average Student Budget $	%	Average Total Expenses - Total Resources $	%
$0-6,000	$ 164	3.0%	$2,760	50.6%	$1,495	27.3%	$483	8.8%	$5,467	100.0%	$557	10.2%
$6-12,000	352	6.2	2,736	48.5	1,722	30.3	463	8.1	5,688	100.0	395	6.9
$12-18,000	883	14.7	2,503	41.7	1,948	32.0	464	7.7	6,007	100.0	210	3.5
$18-24,000	1,467	24.7	2,109	35.5	1,916	32.3	391	6.6	5,841	100.0	57	1.0
$24-30,000	2,441	37.8	1,714	26.4	2,067	31.8	427	6.6	6,499	100.0	-150	-2.3
$30-36,000	3,078	45.8	1,513	22.5	2,041	30.4	442	6.6	6,723	100.0	-350	-5.2
$36-000+	4,296	60.7	996	14.1	2,193	30.4	450	6.4	7,079	100.0	-817	-11.5
Average All Incomes	$1,463	25.2%	$2,049	35.4%	$1,803	31.1%	$381	6.6%	$5,796	100.0%	$ 62	1.1%

TABLE 9

AVERAGE DOLLAR AMOUNTS AND PERCENT OF

TOTAL STUDENT EXPENSES BY PARENTAL INCOME

AND BY SOURCE OF FUNDS FOR ALL DEPENDENT UNDERGRADUATE

AID RECIPIENTS 1981-82

Parental Adjusted Gross Income	Average Parental Contribution $	%	Average Need-Based Grants $	%	Average Self-Help $	%	Other Aid $	%	Average Student Budget $	%	Average Total Expenses - Total Resources $	%
$0-6,000	$ 144	2.2%	$2,762	41.2%	$2,458	36.7%	$741	11.1%	$6,701	100.0%	$896	8.9%
$6-12,000	357	5.3	2,655	39.3	2,808	41.6	607	9.0	6,753	100.0	326	4.8
$12-18,000	414	5.8	2,540	35.7	2,968	41.7	741	10.4	7,119	100.0	457	6.4
$18-24,000	893	12.6	2,283	32.1	2,875	40.5	561	7.9	7,104	100.0	692	9.9
$24-30,000	1,448	20.1	1,963	27.1	3,029	41.9	822	7.2	7,214	100.0	294	3.5
$30-36,000	2,083	28.8	1,481	20.5	3,164	43.8	520	7.2	7,229	100.0	-20	-0.3
$36-000+	6,307	84.4	1,172	14.8	3,334	42.1	611	7.7	7,900	100.0	-1,153	-19.1
Average All Incomes	$1,540	21.4%	$2,083	29.8%	$2,980	41.4%	$604	8.4%	$7,211	100.0%	$ 23	0.3%

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